PAKISTAN STOCK EXCHANGE LIMITED
Stock Exchange Building, Stock Exchange Road, Karachi-74000
UAN: **111-001-122**

PSX/N-597 **NOTICE** **May 12, 2020**

SEEKING PUBLIC COMMENTS ON DRAFT PROSPECTUS OF 5th ISSUE OF SUKUK CERTIFICATES OF K-ELECTRIC LIMITED

It is hereby informed to all concerned that **K-ELECTRIC LIMITED**, a listed Company on the Exchange, has applied for Listing of its Rated, Secured and Diminishing Musharakah Sukuk Certificates ("SCs") on the Exchange and has submitted the Draft Prospectus for issue of Sukuk Certificates to the General Public / Retail Investors.

The total issue size consists of PKR 25,000 million, out of which SCs of PKR 23,708 million (94.8% of issue size) have been issued to the Pre-IPO investors and PKR 1,292 million (5.2% of issue size) are being offered to the General Public by way of Initial Public Offer through this Prospectus.

The Draft Prospectus of the SCs is hereby placed on the website of the Exchange under caption **"Public comments on Draft Prospectus of 5th Issue of Sukuk Certificates of K-Electric Limited"** for seeking public comments as required under Section 3(11) of the Public Offering Regulations, 2017 and the Regulation No.5.2.1(e) of Listing of Companies and Securities Regulations of PSX. The Draft Prospectus shall later be placed before the Listing Committee of the Exchange for its review.

Please submit written comments on the Draft Prospectus, if any, either in hard form or through email at comments.draftprospectus@psx.com.pk addressed to the undersigned latest by **May 21, 2020** .

Asmaa Saleem Malik

Asmaa Saleem Malik
General Manager
Listing Department

ADVICE FOR INVESTORS

INVESTORS ARE STRONGLY ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THIS PROSPECTUS ESPECIALLY THE RISK FACTORS AT PARA [•] OF THIS PROSPECTUS BEFORE MAKING ANY INVESTMENT DECISION

SUBMISSION OF FALSE AND FICTITOUS APPLICATIONS IS PROHIBITED AND SUCH APPLICANT'S MONEY MAY BE FOREFEITED UNDER SECTION 87(8) OF THE SECURITIES ACT, 2015

K-ELECTRIC
Energy That Moves Life

K-Electric Limited

Date of Incorporation: September 13, 1913**,** Incorporation Number: 0000002 , Registered and Corporate Office: KE House, 39-B, Sunset Boulevard, Phase II, Defence Housing Authority, Karachi, Contact Number: 92-21-3870 9132 , Website: www.ke.com.pk**,** Email: intranet@ke.com.pk

Prospectus

The Issue Size of Rated, Secured and Listed Diminishing Musharakah Sukuk of up to PKR 25,000 million, out of which Sukuk of PKR 23,708 million (94.8% of Issue Size) are issued to the Pre-IPO investors and PKR 1,292 million (5.2% of Issue Size) are being offered to the general public by way of an Initial Public Offering through this Prospectus

Rate of Return: 7-year floating rate instrument @ 3-month KIBOR (Ask Side) plus 1.70% per annum
Instrument Rating: AA+ (Double A Plus) by VIS Credit Rating Company Limited
Long Term Entity Rating: AA (Double A) by VIS Credit Rating Company Limited & Pakistan Credit Rating Agency (PACRA)
Short Term Entity Rating: A1+ (A One Plus) by VIS Credit Rating Company Limited & Pakistan Credit Rating Agency (PACRA)

As per PSX's Listing of Companies and Securities Regulations, the Draft Prospectus was placed on PSX's website for seeking public comments starting from [•],2020 to [•], 2020. The comments received have been duly incorporated / responded by the Consultant to the Issue.

Date of Public Subscription: from [•]/2020 to [•]/2020 (both days inclusive) from: 9:00 am to 5:00 pm
From DD/MM/2020 to DD/MM/2020 only individual investors can apply
From DD/MM/2020 to DD/MM/2020 all investors i.e. individuals and institutions can apply
(For further details please refer to para [•])

STRUCTURING AGENTS		CONSULTANT TO THE ISSUE	SHARIAH STRUCTURING ADVISOR
HBL HABIB BANK حبیب بینک	NBP National Bank of Pakistan نیشنل بینک آف پاکستان	ARIF HABIB LIMITED	HBL ISLAMIC BANKING اسلامک بینکنگ

Bankers for the Retail Portion of the Issue:

Askari Bank Limited	Bank AL Habib Limited*	Bank Alfalah Limited*	Bank Islami Pakistan Limited	Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited	Habib Bank Limited*	Habib Metropolitan Bank Limited	MCB Bank Limited	MCB Islamic
Meezan Bank Limited	Soneri Bank Limited	United Bank Limited*		

* In order to facilitate investors Habib Bank Limited ("HBL"), Bank Alfalah Limited ("BAFL") and United Bank Limited ("UBL") are offering electronic submission of application (e-IPO) to their account holders. HBL account holders can use HBL Net Banking to submit their application via link https://www.hblibank.com.pk/Login. BAFL account holders can use BAFL Net Banking to submit their application via link https://netbanking.bankalfalah.com. UBL account holders can use UBL Net Banking to submit their application via link http://www.ubldirect.com/corporate/ebank. Furthermore, **please note that online applications can be submitted 24 hours a day during the subscription period which will close at midnight on [•]/2020.**

The Central Depository Company of Pakistan ("CDC") in collaboration with 1 Link (G) Limited (1 Link) has developed a Centralized e-IPO System ("CES") through which applications for subscription of securities offered through IPOs can be made electronically. CES has been made available in this IPO which can be accessed through the web link www.cdceipo.com. Payment of subscription money can be made through 1Link's member banks available for CES, list of which is available on CDC's above mentioned web link.

For making application though CES, investors must be registered with CES. Registration with CES is one-time, free of cost and a self-registration process carried out by filling the CES registration form, which is available 24/7 all around the year at CDC's above mentioned web link

Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial banks, email address, mobile phone number and CDS Account (Investor Account or Sub Account) may register themselves with CES.

Investors who do not have CDS accounts may visit www.cdcpakistan.com for information and details. For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com. CES is connected to a number of banks through 1 Link for payment of the subscription money. For further details on CES, please refer to para 14.3 of this Prospectus or contact **Mr. Farooq Ahmed Butt** at Phone 021-34326030 and email: farooq_butt@cdcpak.com.

Shariah Advisory Board

Dr. Muhammad Zubair Usmani
Mufti Irshad Ahmad Aijaz
Dr. Ejaz Ahmed Samadani
Dr. Noor Ahmed Shahtaz
Mufti Muhammad Yahya Asim

Jama Punji

For investor education please visit www.jamapunji.pk and read the IPO Investor Guide placed at web link https://www.secp.gov.pk/document/initial-public-offering-ipo-a-concise-guide-for-investors/?wpdmdl=29584
Jama Punji is an investor education initiative of SECP

Date of Publication of this Prospectus: [•]/2020 Name of Securities Exchange: The Issue is proposed to be listed at the Pakistan Stock Exchange Limited
Prospectus and Subscription Form can be downloaded from the following websites: www.ke.com.pk & http://www.arifhabibltd.com

For further queries you may contact

K-Electric Limited: Mr. Muhammad Farrukh; Phone:+ 111-537-211 (Ext: 1337); E-mail; muhammad.farrukh@ke.com.pk; Mr. Abdul Muqeet Husain; Phone:+ 111-537-211 (Ext: 7585); E-mail; muqeet.husain@ke.com.pk;

Habib Bank Limited: Mr. Khurram Shaukat;. Phone: +92 21 33116504 ; E-mail: khurram.shaukat@hbl.com ; Mr. Shmail Amin; Phone: +92 21 33116510; Email: shmail.amin@hbl.com; Ms. Sana Hidayatullah; Phone: +92 21 33116537; Email: sana.hidayatullah@hbl.com

National Bank of Pakistan Limited: Mr. Muhammad Aamir Khan Phone: +92 2199062124 ; E-mail: aamirkhan@nbp.com.pk ; Mr. Frasat Ali; Phone: +92 21 99062119; Email: ali.frasat@nbp.com.pk

Arif Habib Limited: Mr. Dabeer Hasan; Phone: +92 21 3246 5891; E-mail: dabeer.hasan@arifhabibltd.com ; Mr. Ammad Tahir; Phone: +92 21 3243 3542; Email: ammad.tahir@arifhabibltd.com

UNDERTAKING BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Date: April 06, 2020

WE, SYED MOONIS ABDULLAH ALVI, THE CHIEF EXECUTIVE OFFICER (CEO) AND MUHAMMAD AAMIR GHAZIANI, THE CHIEF FINANCIAL OFFICER (CFO) OF K-ELECTRIC LIMITED, HEREBY CERTIFY THAT:

1. THE PROSPECTUS CONTAINS FULL AND COMPLETE INFORMATION WITH REGARD TO THE ISSUERS AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE AND NOTHING HAS BEEN CONCEALED IN THIS RESPECT;
2. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS TRUE AND CORRECT TO THE BEST OF OUR KNOWLEDGE AND BELIEF;
3. THE OPINIONS AND INTENTIONS EXPRESSED THEREIN ARE HONESTLY HELD;
4. THERE ARE NO OTHER MATERIAL FACTS, OMISSION OF WHICH MAKES THE PROSPECTUS AS A WHOLE OR ANY PART THEREOF MISLEADING; AND
5. ALL REQUIREMENTS OF THE SECURITIES ACT, 2015; THE DISCLOSURES IN PUBLIC OFFERING REGULATIONS, 2017 FOR PREPARATION OF PROSPECTUS AND THE PSX'S RULE BOOK RELATING TO DISCLOSURES AND APPROVALS HAVE BEEN FULFILLED.
6. NO CHARGES, FEE, EXPENSES, PAYMENTS ETC., HAVE BEEN COMMITTED TO BE PAID TO ANY PERSON IN RELATION TO THIS PUBLIC OFFERING EXCEPT FOR THOSE AS DISCLOSED IN THIS PROSPECTUS.

On behalf of **K-Electric Limited**

-Sd-	-Sd-
Syed Moonis Abdullah Alvi	**Muhammad Aamir Ghaziani**
Chief Executive Officer	Chief Financial Officer

GLOSSARY OF ABBREVIATIONS

3M KIBOR	Three-Month Karachi Inter-Bank Offered Rate (Ask Side)
Bn	Billion
BoD	Board of Directors
Bps	Basis points. One hundred basis points equal 1 per cent.
BYCO	BYCO Petroleum Pakistan Limited
Capex	Capital Expenditure
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository System
CEO	Chief Executive Officer
Company or Issuer or KE	K-Electric Limited
Collection Bank	Habib Bank Limited
CPPA-G	Central Power Purchasing Agency (Guarantee) Limited
EHT	Extra High Tension
FY	Financial Year ending 30th June
FO	Furnace Oil
FSA	Fuel Supply Agreement
GoP	Government of Pakistan
HSEQ	Health, Safety, Environment & Quality
IBC	Integrated Business Centres i.e. a network of more than 30 customer facilitation centres.
IM	Information Memorandum

IPO	Initial Public Offering
IPPs	Independent Power Producers
MMBTU	Million British Thermal Units
MMCFD	Million Cubic Feet per Day
Mn	Million
MVAs	Mega Volt Amperes
MW	Megawatt
NCCPL	National Clearing Company of Pakistan Limited
NTDC	National Transmission and Despatch Company Limited
Opex	Operating Expenditure
p.a.	Per annum
PAEC	Pakistan Atomic Energy Commission
PPA	Power Purchase Agreement
PKR or Rs.	Pakistani Rupees
PMTs	Pole-Mounted Transformers
PSO	Pakistan State Oil Company Limited
RLNG	Re-Gasified Liquefied Natural Gas
SBP	State Bank of Pakistan
SECP	Securities & Exchange Commission of Pakistan
SSGC	Sui Southern Gas Company Limited
T&D	Transmission and Distribution

GLOSSARY OF TECHNICAL TERMS

Assigned Security	Listed security or derivative contract designated by the stock exchange from time to time, for which a designated market maker has been appointed by the exchange for market making
Base Rate	Average three (03) months Karachi Inter Bank Offered Rate (KIBOR) prevailing on the Base Rate Setting Date
Base Rate Setting Date	Means the date upon which the Trustee shall establish the Base Rate on the Sukuks for the immediately succeeding instalment period in terms of the relevant Sukuk Transaction Documents; detailed mechanism is provided in Part V section 5.1
Blank Sale	A sale transaction executed by market maker not backed by inventory i.e. the market maker will short the security and will subsequently arrange the security by the end of trading session to ensure transfer to buyer
Bridge Facility	Bridge Financing Facility of PKR 20 Billion provided by Habib Bank Limited in terms of Bridge Facility Agreement dated March 14th, 2019
Date of Investment	The date when investor's subscription money is received
Deposits	All amounts standing to the credit of the Hypothecated Accounts and/or any one of them and includes all amounts that may be deposited in the Hypothecated Accounts at any time and from time to time during the term of the relevant Sukuk transaction documents
Early Re-Purchase Option/Call Option	The option to redeem, in full or in part, before the final redemption, the outstanding face value of the Sukuk by the Company
Grace Period	Two (2) years from the Issue Date
Gross Dependable Capacity	The highest gross power level that the unit can sustain in a period without any operating or regulatory restrictions
Hypothecated Accounts	The following bank accounts of the Issuer held with the Collection Bank wherein the Hypothecated Collections will be deposited:

	a) titled ‘K-ELECTRIC LIMITED COLLECTION ACCOUNT’ bearing account number 420041238603; b) titled ‘K-ELECTRIC LIMITED E COLLECTION’ bearing account number 427900207003; and c) Second Master Collection Account
Hypothecated Collections	All collections deposited by customers of the Issuer in relation to the electricity bills issued by the Issuer in any of the Hypothecated Accounts and/or deposited through the Collection Bank
Hypothecated Properties	All present and future fixed assets located at certain Grid Stations (list provided in Part VII Section 7.10, mainly consisting of but not limited to transmission assets, transformers and switch gears, owned by the Issuer (excluding the immovable properties) and all amounts, claims, rights, benefits of the Issuer under the Insurance/Takaful contracts covering the above assets.
Investment Agent	Pak Brunei Investment Company Limited
Issuer	K-Electric Limited
Issue Date	The issue date means the last subscription date or the date of closure of subscription period under the IPO, whichever is earlier.
Second Master Collection Account (“MCA”)	The master collection account of the Issuer held with the Collection Bank bearing account number 0042-79918674-03 (Titled: KE MCA ACCOUNT)
Payment Account	Account No. 5000-79015983-52 (Titled: K-ELECTRIC LTD SUKUK-5 PAYMENT A/C) maintained with Habib Bank Limited, Islamic Banking, Finlay House, I.I. Chundrigar Road, Karachi
Shariah Board to the Issue	1. Dr. Muhammad Zubair Usmani 2. Mufti Irshad Ahmad Aijaz 3. Dr. Ejaz Ahmed Samadani 4. Dr. Noor Ahmed Shahtaz 5. Mufti Muhammad Yahya Asim
Shariah Structuring Advisor "SSA"	Habib Bank Limited – Islamic Banking
Structuring Agents "SAs"	Habib Bank Limited (HBL) and National Bank of Pakistan (NBP)

Sukuk Trustee	Pak Brunei Investment Company Limited
Sukuk Transaction Documents	This Prospectus, Declaration of Trust, Musharaka documents, security documents and other documents and agreements executed/to be executed inter alia between the Issuer and the Sukuk Trustee in relation to the Sukuk.

TABLE OF CONTENTS

PART I

1 APPROVALS, CONSENTS AND LISTING ON THE STOCK EXCHANGE

1.1 APPROVAL OF THE SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

Approval of the Securities and Exchange Commission of Pakistan (the “Commission” or the “SECP”) as required under Section 87(2), read with Section 88(1) of the Securities Act, 2015 (the “Act”) has been obtained for the Issue, circulation and publication of this Prospectus vide their letter no. [•] Dated [•]/2020.

Disclaimer

IT MUST BE DISTINCTLY UNDERSTOOD THAT IN GIVING THIS APPROVAL, SECP DOES NOT TAKE ANY RESPONSIBILITY FOR THE FINANCIAL SOUNDNESS OF THE ISSUER AND ANY OF ITS SCHEMES STATED HEREIN OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS MADE OR OPINIONS EXPRESSED WITH REGARDS TO THEM BY THE COMPANY IN THIS PROSPECTUS

SECP HAS NOT EVALUATED QUALITY OF THE ISSUE AND ITS APPROVAL FOR THE ISSUE, CIRCULATION AND PUBLICATION OF THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC/INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT DUE DILIGENCE AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.

1.2 APPROVAL OF THE PROSPECTUS BY PAKISTAN STOCK EXCHANGE LIMITED

The Prospectus for the issue of Rated, Secured and Listed Diminishing Musharakah Sukuk has been approved by the Pakistan Stock Exchange Limited (“PSX") in accordance with the requirements of its Listing of Debt Securities Regulations vide their letter no. [•] Dated [•]/2020.

Disclaimer

- **PSX HAS NOT EVALUATED THE QUALITY OF THE ISSUE AND ITS APPROVAL SHOULD NOT BE CONSTRUED AS ANY COMMITMENT OF THE SAME. THE PUBLIC / INVESTORS SHOULD CONDUCT THEIR OWN INDEPENDENT INVESTIGATION AND ANALYSIS REGARDING THE QUALITY OF THE ISSUE BEFORE SUBSCRIBING.**

- **THE PUBLICATION OF THIS DOCUMENT DOES NOT REPRESENT SOLICITATION BY PSX.**

- **THE CONTENTS OF THIS DOCUMENT DO NOT CONSTITUTE AN INVITATION TO INVEST IN SUKUK OR SUBSCRIBE FOR ANY SECURITIES OR OTHER FINANCIAL INSTRUMENT BY PSX, NOR SHOULD IT OR ANY PART OF IT FORM THE BASIS OF, OR BE RELIED UPON IN ANY CONNECTION WITH ANY CONTRACT OR COMMITMENT WHATSOEVER OF PSX.**

- **IT IS CLARIFIED THAT INFORMATION IN THIS PROSPECTUS SHOULD NOT BE CONSTRUED AS ADVICE ON ANY PARTICULAR MATTER BY PSX AND MUST NOT BE TREATED AS A SUBSTITUTE FOR SPECIFIC ADVICE.**

- **PSX DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THIS DOCUMENT TO ANYONE, ARISING FROM ANY REASON, INCLUDING, BUT NOT LIMITED TO, INACCURACIES, INCOMPLETENESS, AND/OR MISTAKES, FOR DECISION AND/OR ACTIONS TAKEN BASED ON THIS DOCUMENT.**

- **PSX NEITHER TAKES RESPONSIBILITY FOR THE CORRECTNESS OF CONTENTS OF THIS DOCUMENT NOR THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS THEREUNDER.**

- **ADVICE FROM A SUITABLY QUALIFIED PROFESSIONAL SHOULD ALWAYS BE SOUGHT BY INVESTORS IN RELATION TO ANY PARTICULAR INVESTMENT.**

1.3 FILING OF PROSPECTUS AND OTHER DOCUMENTS WITH REGISTRAR OF THE COMPANIES

The Company has delivered to the Registrar of Companies, Karachi as required under Sections 57 (1) of the Act, a copy of this Prospectus signed by all the Directors of the Company together with the expert reports and contracts mentioned in the Prospectus with the Registrar of Companies.

1.4 CONSENT FROM SHARIAH ADVISORY BOARD TO THE ISSUE

The Shariah Advisory Board to the Issue has given consent to include and publish names of its members in the Prospectus.

1.5 LISTING ON THE STOCK EXCHANGE

Application has been submitted by the Issuer to PSX for listing of the Sukuk. If for any reason the application for formal listing is not accepted by PSX or approval for formal listing is not granted by PSX before the expiration of twenty-one days' period from the date of closing of the subscription period / list or such longer period not exceeding forty two days as may, within the said twenty-one days, be notified to the applicants for permission by the securities exchange, the Issuer undertakes that a notice to that effect will immediately be published in the press and it will refund Subscription Money to the applicants without surcharge as required under the provisions of Section 69 of the Companies Act, 2017.

If any such money is not repaid within eight (08) days after the Company becomes liable to repay it, the Directors of the Company shall be jointly and severally liable to repay that money from the expiration of the eighth day together with surcharge at the rate of two per cent (2.0%) for every month or part thereof from the expiration of the eight-day period and, in addition, shall be liable to a penalty of level 3 on the standard scale in accordance with the provisions of sub-section (2) of Section 69 of the Companies Act.

The surcharge mechanism has been mentioned here in order to ensure regulatory compliance. However, from the shariah perspective, since this surcharge is a form of interest, the applicants are advised to dispose any such received amount as charity.

1.6 COMPLIANCE OFFICER

Rizwan Pesnani
Head of Treasury and Corporate Finance
K-Electric Limited
KE Head Office - Main Building,
39-B, Sunset Boulevard,
DHA II, Karachi
rizwan.pesnani@ke.com.pk
Tel: 111-537-211 (Ext:7370)
Fax: 99205165

PART II

2 SUMMARY OF THE PROSPECTUS

2.1 PRIMARY BUSINESS OF THE ISSUER AND THE INDUSTRY IN WHICH IT OPERATES

The Company is principally engaged in generation, transmission and distribution of electric energy to industrial, commercial, public sector and residential consumers under the Electricity Act, 1910 and NEPRA Act, 1997, both as amended to date, to its licensed areas.

As of FY-19, the Company owns five power plants with an installed capacity of 2,267 MW which includes capacity enhancement of 1,057 MW of highly efficient generation capacity added since 2009. Thus, a major portion of the Company's generation assets are relatively new. Further, the Company's transmission system comprises 69 grid stations and 166 power transformers having transmission capacity of over 6,300 MVAs and supplemented by a network of around 1,288 km of transmission lines.

The Company reserves exclusive rights for distributing power within its service territory i.e. city of Karachi and adjoining areas of Sindh and Balochistan and serves over 2.9 million consumers.

2.2 SHAREHOLDING STRUCTURE

Major Shareholders and sponsor of issuer are KES Power Limited ("KESP") and Government of Pakistan ("GoP"). As of December 31, 2019, the shareholding structure of the Company is as follows:

Shareholding Structure		
Shareholder	**Number of Shares Held**	**Shareholding**
KES Power Limited (KESP)	18,335,542,678	66.40%
Government of Pakistan (GOP)	6,726,912,278	24.36%
Other Shareholders	2,552,739,290	9.24%
Total	**27,615,194,246**	**100%**

In October 2016, Shanghai Electric Power ("**SEP**") entered into a Sale and Purchase Agreement with KES Power Limited to acquire up to 66.4% stake in K-Electric, subject to receipt of government and regulatory approvals. SEP is a state-owned enterprise controlled by China's State Power Investment Corporation ("**SPIC**"), a Fortune 500 company. SEP is listed on the Shanghai Stock Exchange (SSE:600021) and is mainly responsible for Shanghai's power supply, with an annual generation of approximately 40 TWh (terawatt hours). SEP had received all requisite Chinese government approvals to proceed with its acquisition. In addition, the Competition Commission of Pakistan and NEPRA have also issued approvals for SEP's acquisition, while the State Bank of Pakistan has issued conditional approval pending issuance of all regulatory approvals. Currently some of GoP approvals are outstanding which are essential to complete SEP's acquisition.

2.3 SUMMARY OF THE ISSUE

K-Electric Limited is offering Rated, Secured and Listed Diminishing Musharakah Sukuk Certificates of up to PKR 25,000 million (inclusive of Green Shoe Option of PKR 5,000 million) in denominations of PKR 5,000/- or multiples thereof to the investors subject to the minimum investment amount of PKR 5,000/-. The Sukuk Certificates of PKR 23,708 million have been subscribed by the Pre-IPO investors and Green Shoe Option has already been exercised partially. Remaining PKR 1,292 million shall be offered to the general public through this prospectus (IPO Portion). Key features of the Issue are as follows:

Issue Size	Up to PKR 25,000 million
Pre-IPO Placement	PKR 23,708 million
Initial Public Offering (IPO) (IPO Portion)	PKR 1,292 million
Purpose	The primary utilization purpose of the Sukuk proceeds is to fund routine operational and capital expenses requirements of the Company. Bridge facility of PKR 20,000 Mn was availed earlier from HBL for the same purpose has already been settled through pre-IPO proceeds of the Sukuk Issue. For further details please refer to section 4.1
Minimum Investment	The Sukuk will be offered in denominations of PKR 5,000/- or multiples thereof to the investors subject to a minimum Investment amount of PKR 5,000/-.
Issue Date	The issue date means the last subscription date or the date of closure of subscription period under the IPO, whichever is earlier.
Tenor	Seven (7) years (inclusive of a grace period) from the Issue Date.
Grace Period	Two (2) years from the Issue Date.
Sukuk Redemption	Sukuk will be redeemed in twenty (20) equal payment on quarterly basis. The first such redemption will be due at the end of the twenty seventh (27th) month from the Issue Date: <table><tr><th>Year</th><th>Sukuk Redemption (% of the Issue Size)</th></tr><tr><td>1</td><td>-</td></tr><tr><td>2</td><td>-</td></tr><tr><td>3</td><td>20%</td></tr><tr><td>4</td><td>20%</td></tr><tr><td>5</td><td>20%</td></tr><tr><td>6</td><td>20%</td></tr><tr><td>7</td><td>20%</td></tr></table>
Profit Rate	3-months KIBOR plus 170 bps, subject to a floor of 2% and a cap of 25% to comply with shariah principles
Rental Payment Frequency	Quarterly basis; detailed mechanism is explained in Part V section 5.4
Issue Price	At par (i.e. each Sukuk having a face value of PKR 5,000)
Security	The Sukuk facility has been secured by:

	a. A first charge over the Hypothecated Properties, in favour of the Sukuk Trustee for the benefit of Sukuk holders. The list contains a total of 50 grid stations that KE has identified having total valuation of PKR 33.4 Bn. b. A first hypothecation charge over the Hypothecated Collections, Accounts and Deposits in favour of the Sukuk Trustee for the benefit of Sukuk holders. c. A first charge by way of letter of lien over the Hypothecated Accounts and Deposits in favour of the Sukuk Trustee for the benefit of Sukuk holders. d. A first charge by way of letter of lien over the Payment Account and deposits in favour of the Sukuk Trustee for the benefit of Sukuk holders. Further, during the tenor of Sukuk the Security created over the Hypothecated Properties may be released/vacated from time to time to the extent of amounts paid to Sukuk holders towards rental payments and buy out prices, provided value of the remaining Hypothecated Properties subject to the Security will always be more than the outstanding amounts under the Sukuk (i.e. outstanding rental payments and buy out prices) plus 25% margin, compliance with financial covenants and non-occurrence of dissolution event or potential dissolution event.
Transaction Legal Counsel	Haidermota and Co.
Legal Counsel of the Company	Mohsin Tayebaly & Co.
Listing	Pakistan Stock Exchange Limited
Entity Rating	Long Term Rating : AA (Double A) Short Term Rating : A1+ (A one plus) Rating by VIS Credit Rating Company Limited and Pakistan Credit Rating Agency (PACRA)
Instrument Rating	AA+ (Double A Plus) by VIS Credit Rating Company Limited
Subscription Date	DD/MM/2020 to DD/MM/2020 (both days inclusive) from 9:00 am to 5:00 pm From DD/MM/2020 to DD/MM/2020 only individual investors can apply From DD/MM/2020 to DD/MM/2020 all investors i.e. both individuals and institutional investors can apply. For further details please refer to section 13.2
Risk Factors	For details, please refer to Part VI of the Prospectus
Trustee to the Issue	Pak Brunei Investment Company Limited

Compliance Officer	Rizwan Pesnani Head of Treasury and Corporate Finance K-Electric Limited KE Head Office - Main Building, 39-B, Sunset Boulevard, DHA II, Karachi. rizwan.pesnani@ke.com.pk Tel: 111-537-211 (Ext:7370)
Market Maker to the Issue	Arif Habib Limited
Bankers to the Issue	1. Askari Bank Limited 2. Bank AL Habib Limited 3. Bank Alfalah Limited 4. Bank Islami Pakistan Limited 5. Dubai Islamic Bank Pakistan Limited 6. Faysal Bank Limited 7. Habib Bank Limited 8. Habib Metropolitan Bank Limited 9. MCB Bank Limited 10. MCB Islamic Bank 11. Meezan Bank Limited 12. Soneri Bank Limited 13. United Bank Limited
Transferability	The Sukuk will be inducted into the CDC; transfer shall be made in accordance with the Central Depository Act, 1997 and CDC Regulations.
Governing Law	The Sukuk shall be subject to the laws of Islamic Republic of Pakistan and non-exclusive jurisdiction of the Pakistan Courts.

2.4 PRINCIPAL PURPOSE AND UTILIZATION OF PROCEEDS

The primary utilization purpose of the Sukuk proceeds is to fund routine operational and capital expenses requirements of the Company and to repay the PKR 20 Bn bridge facility obtained from HBL for the same purpose. Detailed breakup is as under:

1. Approximately PKR 10.7 Bn incremental working capital requirement resulting from the arrangement whereby 60 MMCFD of indigenous gas was swapped with RLNG as an alternate fuel; and substantial increase in the price of indigenous gas., from Rs. 400 / MMBTU to Rs. 824 / MMBTU.

2. Approximately PKR 600 Mn additional working capital requirement resulting from addition of new IPPs in generation pool of KE.

3. Approximately PKR 13.7 Bn to fund ongoing capital expenditure (non-project) in Generation, Transmission and Distribution segments of the Company. These include recurring maintenance, protection, overhauling and distribution loss reduction & growth-related initiatives such as Earthing & ABC.

**Please note that PKR 23.7 Bn raised through Pre-IPO investors has been primarily utilized to repay the bridge facility of PKR 20 Bn, and the remaining amount is being used for the above-mentioned purpose. Further, the proceeds from IPO portion will also be utilized for the same purpose.*

2.5 LEGAL PROCEEDINGS AND OVERDUE LOANS

For legal proceedings and overdue loans, refer to Part IX of the prospectus.

2.6 RISK FACTORS

For key risk factors that would have an impact on the Company, its business operations and the Issue, please refer to part VI.

2.7 RELATED PARTY TRANSACTIONS

Related parties of the Company comprise of associated companies, state-controlled entities, staff retirement benefit plans and company's directors and key management personnel. Details of transactions with related parties are as follows:

Related Party Transactions

S.No	Related Parties	Relationship	Nature	FY 2017	FY 2018	FY 2019
				(PKR in Millions)		
1	CPPA-G/NTDC	State controlled entity	Power purchases	40,039	45,658	52,596
2	PSO	State controlled entity	Purchase of furnace oil and lubricants	30,354	40,838	54,217
3	SSGC	State controlled entity	Purchase of gas	29,452	25,569	58,648
4	BYCO	Common Directorship	Purchase of furnace oil	1,964	6,687	7,242
5	Provident fund	Post-employment benefits/plans	Contribution	747	812	915
6	Key Management Personnel	Employees	Managerial Remuneration	193	352	444
	Housing and Utilities			106	-	-
	Other allowances and benefits			238	236	266
	Retirement benefits			-	11	40
	Leave encashment			-	1	1.3

2.8 FINANCIAL INFORMATION

Financial Information					
Audited (PKR in Millions)	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
Share Capital	96,262	96,262	96,262	96,262	96,262
Net Worth	139,559	171,288	184,316	207,293	214,490
Revenue	194,755	188,607	183,855	217,127	289,119
Gross Margin	24.5%	30.3%	21.5%	20.9%	17.5%
Operating Margin	14.85%	15.9%	6.7%	7.8%	5.2%
Profit After Tax	32,413	31,807	10,419	12,312	17,274
Profit After Tax Margin	16.6%	16.9%	5.7%	5.7%	6.0%
Earnings Per Share	1.17	1.15	0.38	0.45	0.63
Break-up Value Per Share	5.05	6.20	6.67	7.51	7.77
Total Borrowings	67,844	55,894	49,404	72,805	129,511
Total Debt to Equity	0.49x	0.33x	0.27x	0.35x	0.60x
Cashflow from Operations	18,585	41,097	27,836	19,335	(16,884)

Note: Financial Information disclosed herein is based on available audited financial statements. Financial information post FY19 is not incorporated as this is not publicly available.

PART III

3 OVERVIEW, HISTORY AND PROSPECTS

3.1 COMPANY HISTORY AND OVERVIEW

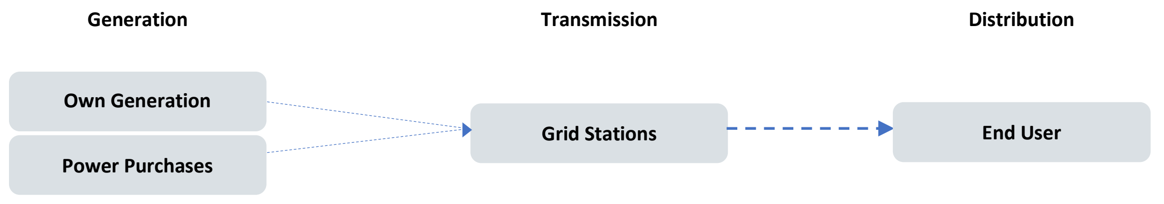
K-Electric Limited ("the Company") was incorporated as a limited liability company on September 13, 1913 under the repealed Indian Companies Act, 1882 (now the Companies Act, 2017) and was listed in 1949, with its shares currently quoted on the Pakistan Stock Exchange Limited. The registered office of the Company is situated at KE House, 39-B, Sunset Boulevard, Phase II, Defence Housing Authority, Karachi and its registration number is 0000002.

KES Power Limited (the holding company) holds 66.40 percent (2018: 66.40 percent) shares in the Company. KE is the only vertically integrated power utility in Pakistan. In addition to its own generation fleet comprising of five generation plants with an installed capacity of 2,267 MW, KE has arrangements for over 1,400 MW from external sources including the National Grid and KANUPP. Besides this, Company's transmission system comprises of 1,288 km of transmission lines, 69 grid stations and 166 power transformers.

Historically, the Company was a state-owned entity. In 2005, a consortium including Al Jomaih Group (a conglomerate based in Saudi Arabia) and National Industries Group (a business group based in Kuwait) acquired majority shareholding in KE from the Government of Pakistan through an SPV named KES Power. In 2009, Abraaj Capital ("Abraaj"), a private equity firm based in Dubai, acquired majority equity stake in KES Power and accordingly assumed management control of KE.

Since 2009, the Company has made significant investments of more than USD 2.4 Bn (up to June 2019) in the business which has translated into improvements both across operating and financial parameters. KE's business model is summarized as follows:

Presence Across the Entire Power Value Chain



5 plants with installed capacity of **2,267 MW** and 1,400+ MW of arrangement with external sources

6,310 MVAs transmission capacity through **69 grid stations**, **166 Power Trafos** & around **1,288 km of EHT lines**

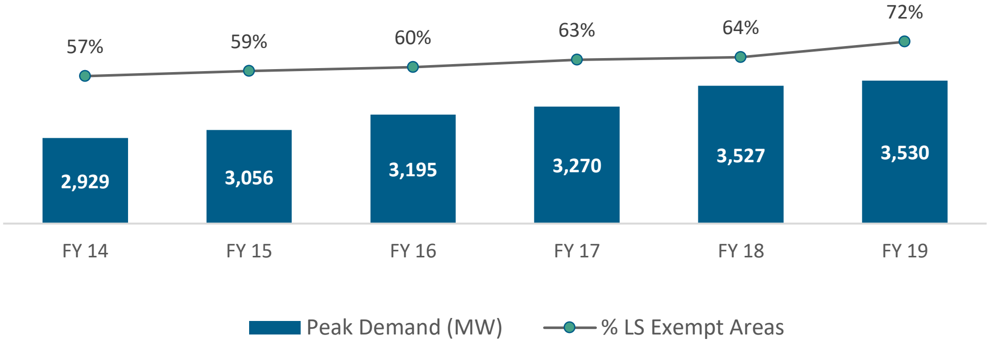
7,800+ MVAs distribution capacity through **1,831 feeders** & **28,000+ PMTs and substations**

KE with exclusive distribution rights for Karachi and its adjoining areas including Dhabeji and Gharo in Sindh and Hub, Uthal, Vindar and Bela in Balochistan is serving a population base of 22 million people.

The Company has a diversified consumer base of over 2.9[1] million including industrial, commercial, agriculture and residential consumers. The breakup of consumers as at December 2019 is as follows:

Breakup of Consumers		
Consumer Type	**Number of Consumers (in '000)**	**% age**
Residential	2,392	82.4%
Commercial	471	16.2%
Industrial	34	1.2%
Public Sector	7	0.2%
Total	**2,904**	**100%**

As the city of Karachi's sole electricity provider, KE is of strategic importance to the municipality and the country. Over the years, Karachi has witnessed growth in power demand, however, Capacity additions, loss reduction initiatives and process improvements have enabled KE to exempt over 70% of the service territory from load shedding (LS).



3.1.1 GENERATION

KE currently has a total installed capacity of 2,267 MW (own plants). Since 2009, significant investments have been made on augmenting KE's generation assets in order to increase Company's power generation capacity and operational efficiency.

In this regard, since 2009, an additional 1,057 MW of highly efficient generation capacity has been added. Thus, almost 50% of the Company's generation assets are relatively new which has subsequently led to an overall improvement of fleet efficiency from c. 30% in 2009 to c. 37% in 2019.

Overview of KE's generation capacity as of FY 19 is as below:

KE's Generation Capacity		
Power Plants	**Installed MW**	**Gross Dependable MW**
Bin Qasim Power Station-I (BQPS-I)	1260	1,061
Bin Qasim Power Station II (BQPS-II)	560	526

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[1] as of December 2019

KE's Generation Capacity		
Power Plants	**Installed MW**	**Gross Dependable MW**
Korangi Combined Cycle Power Plant (KCCPP)	247	229
SITE Gas Turbine Power Station (SGTPS-II)	100	96
Korangi Gas Turbine Power Station (KGTPS-II)	100	96
Total Capacity	**2,267**	**2,008**

In order to manage the growing power demand within its service territory, KE, in addition to its own generation capacity, also procures power from IPPs and the National Grid. A summary of units generated and purchased is as follows:

Gross Units Generated/Purchased in GWh (KE/IPPs)		
Year	**KE**	**IPPs**
2015~2016	10,323	6,981
2016~2017	10,147	7,206
2017~2018	10,338	7,862
2018~ 2019	10,727	7,768
Jul-Dec 2019	5,662	4,099

As a result of additions to its own generation fleet, along with IPPs added to the KE system, the Company has been able to reduce the peak demand/ supply gap over the years. Historic peak demand and supply within KE service area is as follows:

Annual Peak Demand / Maximum Supply in MW			
Year	**Supply**	**Demand**	**Supply Gap**
2015~2016	2,741	3,195	-14%
2016~2017	2,854	3,270	-13%
2017~2018	3,008	3,527	-15%
2018~ 2019	3,196	3,530	-10%
Jul-Dec 2019	3,131	3,415	-8%

Further, KE is also diversifying its energy mix by adding renewable energy sources. In this regard, KE has made arrangements for 50 MW electricity from Oursun Pakistan Limited, a solar power plant located at Gharo, Sindh which came online in November 2018 and another 50 MW from Gharo Solar (Pvt) Limited, located at District Gharo, Sindh, which began commercial operations in December 2019.

900 MW RLNG-Based Power Plant

To manage the growing power demand, KE's planned generation capacity additions include a 900 MW RLNG-based power plant, which will be owned and operated by KE and is expected to be commissioned by 2021. The planned project comprises of 2 x 450 MW units, running on the combined cycle gas turbine "**CCGT**" configuration. The plant will be based on F-Class machines which incorporate the latest technology for environmental compatibility and improved dry low NOx ("**DLN**") operability, and eliminate firing temperatures suppression.

In this regard, a Licensee Proposed Modification (LPM) has been filed with NEPRA for addition of this 900 MW RLNG-based power plant within KE's generation license and project contracts have been signed with Siemens AG and Harbin Electric International. Subsequently, Notice to Proceed has also been issued to the contractor after initial advance payment and construction works have started.

700 MW Coal-Fired Power Plant

In addition to the 900 MW RLNG-based power plant, KE has also planned a new 2x350 MW imported coal-based power plant to be established as an SPV (IPP mode) having KE and China Machinery Engineering Corporation (CMEC) as shareholders. The power project already has an approved tariff from NEPRA. In addition to managing the power demand-supply gap, the 700 MW project will diversify KE's fuel mix and help in gradual phasing away from using furnace oil which is a significantly more expensive imported fuel. Accordingly, the project would enable the Company to offer affordable power to the consumers along with sizable fuel cost savings to the national exchequer.

Power Purchases

Besides internal power generation, KE purchases 800 MW of electricity from the National Grid which includes 650 MW being procured under a Power Purchase Agreement (PPA) with NTDC, which expired in January 2015. KE is currently in discussions with relevant stakeholders for renewal of the PPA. However, in the interim period, through continued sale and purchase of electricity, NTDC/CPPA-G as seller and KE as buyer have affirmed the continuation of the PPA, and accordingly, to date NTDC/CPPA-G continues to supply power and raise invoices in line with terms of the PPA.

Given the strategic and national importance of Karachi (the economic hub of Pakistan and home to more than 10% of Pakistan's population), it is well understood at all levels of the Government of Pakistan (GoP) that KE will continue to get power from the National Grid until a new PPA is signed. In addition to this, KE signed an agreement with NTDC and CPPA-G in June 2019 for the purchase of 150 MW additional power from three wind power plants situated in the Gharo area for two years and is successfully evacuating power from these wind power plants. In addition, KE has arrangements with external power producers for over 600 MW which includes Gul Ahmed Energy Limited, Tapal Energy (Pvt.) Limited, FFBL Power Company Limited, Sindh Nooriabad Power Company (Pvt.) Limited and others.

Additional Supply from the National Grid

While KE continues to pursue its planned generation projects including 900 MW RLNG-based Power Plant and 700 MW Coal IPP to manage the growing power demand, the Company is also in discussions with relevant stakeholders for supply of additional power from the National Grid including 500 MW from KANUPP II/III projects, subject to technical study and necessary approvals. In this regard, post completion of technical study and the required approvals, related interconnection works which include setting up of 500 kV grid stations will commence operation and the expected completion time for which is around three years.

3.1.2 TRANSMISSION

Operational improvements within KE's Transmission and Distribution (T&D) network have remained a key driver of its growth and profitability. T&D losses have been reduced from the level of 35.9% in 2009 to 19.1% in 2019. Through continued investment and further improvements, KE forecasts a further reduction of T&D losses with majority of the reduction expected to be derived through reduction in distribution losses.

As of December 2019, KE's transmission system comprises of 69 grid stations and 166 power transformers. In addition, the Company owns and maintains approximately 1,288 km of transmission lines. Transmission losses (excluding the distribution losses) have plummeted to a mere 1.2% in FY19 from a staggering 4.2% in September 2008. KE has undertaken major development works to secure better efficiency levels. Significant investment has been made for upgrading the transmission network over recent years. These investments include:

- **Capacity Addition**: seventeen (17) new grid stations since 2009, including the rehabilitation of other grid power transformers, significantly increasing net transmission capacity
- **Loss Reduction**: twenty five (25) new EHT lines added all across Karachi since 2009. Moreover, over 404 km power lines of old circuit length rehabilitated and increase of over 103 km in EHT line length
- **System Reliability**: major Capex investments in improving the overall stability of the power system, enabling a 72% reduction in transformer tripping and 43% reduction in transmission-line trips since 2009 till December 2019.

In tandem, to reduce transmission losses and increase the overall system stability, KE has undertaken a transmission enhancement package, TP-1000, with the objective of upgrading KE's transmission infrastructure and addition of over 1,000 MVAs in transmission capacity. With an overall project cost of over USD 450 Mn, the project is in advanced stages and is on course for successful completion. Under the TP-1000 project, five new Grid Stations (2x220kV and 3x132kV) and 25 power transformers have been added till December 2019, and another 2 new Grid Stations (1x220kV and 1x132kV) are to be added in 2020, along with installation of new / rehabilitated transmission lines.

Going forward, KE plans to continue and further accelerate investments in Transmission infrastructure upgrade through capacity enhancement as well as to set up new interconnection points with the National Grid for increased reliability and off-take of additional power from the National Grid. In this regard, KE plans to set up 500 kV grid stations, which would increase the Transmission network's reliability and enable KE to off-take of additional power from the National Grid, thus helping KE bridge the power demand-supply gap within its service area.

3.1.3 DISTRIBUTION

KE has exclusivity through its distribution license to distribute electricity within its service territory, which includes the city of Karachi and the surrounding areas. This service territory is divided into five (5) regions, and further sub-divided into thirty (30) distribution centers. Residential consumers constitute the largest proportion of consumers and account for almost 50% of total revenue from sale of energy.

Break-up of consumers with respect to revenue generated in percentage terms during FY17-FY19, is as follows:

Revenue Generated From Consumer Segments (% Terms)			
Consumer Segment	**FY17**	**FY18**	**FY19**
Residential	44%	45%	45%
Commercial	18%	18%	18%
Industrial	25%	25%	26%
Public Sector	13%	12%	11%
Total	**100%**	**100%**	**100%**

Residential consumers remain the major customers of the Company (82% of the total consumer mix), contributing almost 50% of total revenue whereas industrial consumers (which account for 1% of the total consumer base) have around 30% share in revenue.

In 2009, due to technical constraints, outdated equipment, corroding wires and administrative issues such as, power theft and meter-tampering, T&D losses were as high as 35.9%. Since 2009, KE has invested around USD 690 million focused on reducing T&D losses and improving operational processes to unlock value. As a result, T&D losses reduced to 19.1% as of FY19 and capacity enhancements were made by over 3,100 MVAs (67 %). Today **over 70**% of the service territory is load-shedding free, with 100% exemption given to industries. Ongoing initiatives to continue this trajectory of operational improvements include:

Aerial Bundled Cabling (ABC)

To cater to areas plagued with losses due to the illegal abstraction of electricity, ABC project is being carried out to control theft and to provide safe and reliable power through the usage of insulated conductors in place of bare conductors. In this regard, ABC has already been rolled out on around 8,000 Pole-Mounted Transformers (**PMTs**) in various areas across Karachi, as a result of which, KE has experienced a significant reduction in losses and improved service levels.

Technology & Process Automation

Further, to improve network performance and enable KE to make targeted investments in its distribution network, the Company has made technological advancements including installation of Automated Meter Readers (AMRs) at PMT level and implementation of Meter Data Management System (MDMS) Project, which is expected to enhance the network governance to a real-time basis and would therefore result in significant improvement in reliability of power supply.

Low Cost Meter Project

In an effort to energize communities, increase consumer engagement and discourage power theft, KE has successfully initiated the roll-out of low-cost electricity meters. The project includes availability of electricity meters on easy instalments for catering to the bottom-of-the-pyramid consumers. The consumer-centric drive uses community engagement to gain support, whilst new and improved electricity meters facilitate better services for the consumers. Approximately, 250,000 meters have been installed under this project to date throughout the city of Karachi.

Project Sarbulandi

To achieve the vision of a load-shedding free Karachi, KE has launched Project Sarbulandi aimed at improving network health to provide a safe electricity environment, network up-gradation through complete installation of ABC, social uplift of areas through community engagement activities and elimination of commercial losses. In this regard, it is critical that high loss IBCs are fully converted to ABC, coupled with an effective governance mechanism to support investment. For this, KE has launched Project Sarbulandi and the key objective of the same is achieving loss reduction and improving recoveries in chronic areas. Six of the high loss IBCs are to undergo 100% ABC completion by 2020, and remaining high loss IBCs that would be added as part of Project Sarbulandi would undergo similar ABC completion by 2021.

Asaan Meter

A customer-centric product line called 'Aasaan Meter', a facility for easy processing of new application *(for below 80kW customers)* has reduced the time taken to acquire a new connections. Under this initiative, KE successfully managed to energize more than 216,000 meters through easy processing and application transparency for new connections below 80 kW in FY 2019. Customers can now apply at any of KE's thirty (30) Integrated Business Centres (IBC) as per their convenience.

3.2 PATTERN OF SHAREHOLDING

Major shareholders of issuer are KES Power Limited ("KESP") and Government of Pakistan ("GoP"). As of December 31, 2019, the shareholding structure of the Company is as follows:

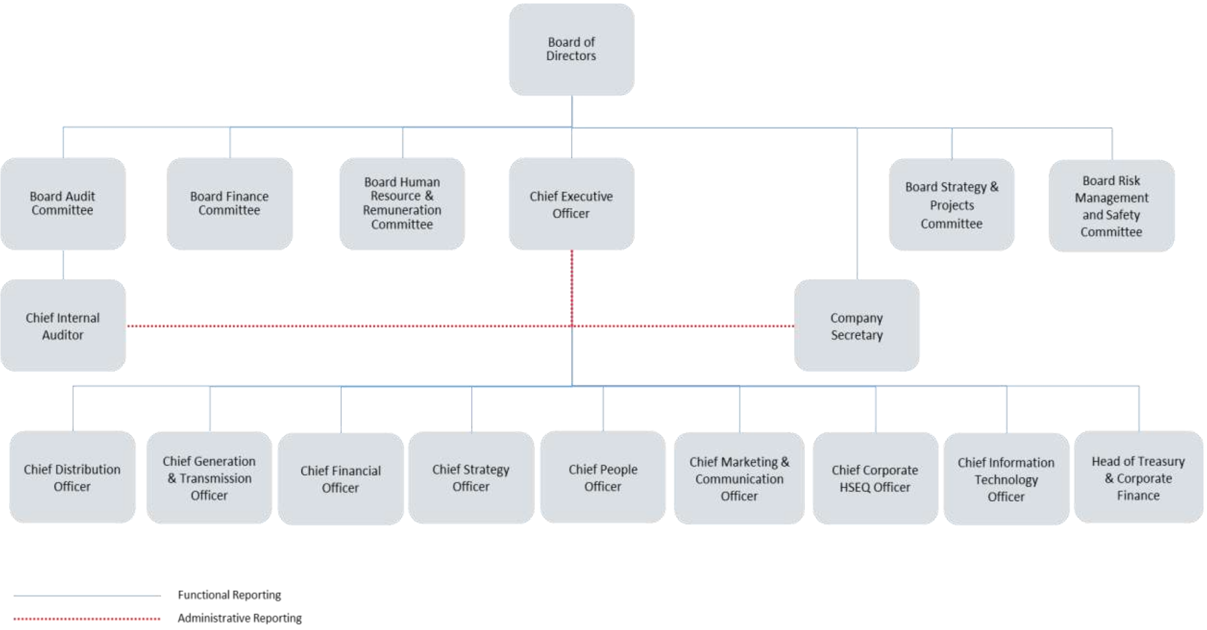
Shareholding Pattern

Shareholder	Number of Shares Held	Shareholding
KES Power Limited (KESP)	18,335,542,678	66.4%
Government of Pakistan (GOP)	6,726,912,278	24.4%
Mutual Funds	468,099,463	1.7%
Directors, CEO & their Spouse and Minor Children	500	0.0%
Executives	30,100	0.0%
Public Sector Companies and Corporations	55,727,112	0.2%
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds	687,129,517	2.5%
General Public – Local	1,243,965,188	4.5%
Foreign Shareholders	73,168,759	0.3%
Other Shareholders	24,618,651	0.1%
Total	**27,615,194,246**	**100.0%**

In October 2016, Shanghai Electric Power (“**SEP**”) entered into a Sale and Purchase Agreement with KES Power Limited to acquire up-to 66.4% stake in K-Electric, subject to receipt of government and regulatory approvals. SEP is a state-owned enterprise controlled by China’s State Power Investment Corporation (“**SPIC**”), a Fortune 500 company. SEP is listed on the Shanghai Stock Exchange (SSE:600021) and is mainly responsible for Shanghai’s power supply, with an annual generation of approximately 40 TWh (terawatt hours). SEP notified its initial Public Announcement of Intention (PAI) for the above equity acquisition on October 3, 2016. Subsequently, in order to comply with the statutory requirements under Securities Act 2015 and Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Regulations 2017, SEP notified fresh PAIs on June 29, 2017, March 29, 2018, December 25, 2018 and September 30, 2019 incorporating amended / additional requirements pursuant to the Securities Act and the aforementioned regulations.

SEP had received all requisite Chinese government approvals to proceed with its acquisition including approval from the Chinese Ministry of Finance and Commerce (MoFCOM) and National Development and Reform Commission (NDRC). In addition, the Competition Commission of Pakistan and NEPRA have also issued approvals for SEP’s acquisition, while the State Bank of Pakistan has issued conditional approval pending issuance of all regulatory approvals. Currently some of GoP approvals are outstanding which are essential to complete SEP’s acquisition.

3.3 ORGANIZATIONAL STRUCTURE



3.4 REVENUE AND COST DRIVERS

The Company, being a regulated entity, is governed through Multi Year Tariff (MYT) regime. Accordingly, National Electric Power Regulatory Authority (NEPRA) determines the tariff for the Company for the tariff control period from time to time.

Key Drivers

Revenue Side	Cost Side
• *Energy Sent-out* – dependent upon factors including organic growth, economic growth, loss reduction resulting in reduced load-shed and increased sent-out • *T&D Losses*	• *Generation Efficiency & Auxiliary based on NEPRA determined benchmarks* • *O&M Cost (with CPI indexation going forward)* • *Depreciation* • *Finance Cost*

Further, KE's MYT includes a tariff variation mechanism based on which fuel, power purchase and other components are to be adjusted in tariff through the monthly and quarterly adjustment mechanism defined in the MYT. NEPRA through its decisions dated December 27, 2019 and December 31, 2019 determined monthly Fuel Charge Adjustment (FCA) for the period July 2016 to June 2019 and quarterly tariff variations for the period July 2016 to March 2019. The quarterly determinations are yet to be notified by MoE and the Company remains in continuous engagement with MoE for the same. Within the quarterly tariff variations determination, NEPRA has not included write-off claims filed by the Company for FY 2017 and FY 2018, to further deliberate on the matter. These claims were filed in accordance with the mechanism prescribed within the MYT and the Company remains in continuous engagement with NEPRA for expedient processing of these claims.

Further, in March 2020, based on the mid-term review mechanism included within the MYT, the Company filed its petition for adjustments in the tariff to account for (i) impact of exchange rate variation on allowed Return on Equity (RoE) component, (ii) impact of rupee depreciation on investments and necessary revisions in investment plan due to changes in operational dynamics, service requirements and revision in estimated scope, (iii) impact of working capital requirements of the Company beyond its control, and (iv) other factors including change in KIBOR & LIBOR rates and sent-out growth from NEPRA assumed levels. The determination of NEPRA on mid term review is awaited.

3.5 FUTURE PROSPECTS AND DEMAND OUTLOOK

KE is a dynamic organization that has demonstrated its resilience and determination to grow and thrive, overcoming multiple challenges in its 106-year journey since its inception in 1913. Most importantly, since 2009, a successful turnaround has been executed through a combination of propitious investments and professional management.

The Company remains firm in its commitment to providing safe, reliable and consistent power to all its customers, underpinned by initiatives that would result in investments of around USD 3 billion over the span of four (4) years, spanning across the power value-chain, to enhance the energy self-sufficiency and propelling the socio-economic growth of Karachi and resultantly Pakistan. A key feature of this investment plan is to move towards cost-effective and efficient sources of generation, including coal, RLNG and most importantly increasing the share of renewables; both solar and wind. These are in line with the organization's overarching priorities to be environmentally sustainable and economically viable for the city's growth.

Further, the Company's planned investments include capacity addition in Transmission and Distribution business, along with system improvement and loss reduction projects. In this regard, the Company has made significant progress on its over USD 450 million TP-1000 Project, resulting in capacity enhancement and improved reliability. Around 90% of the project has been completed, with expected completion later this year. In addition to TP-1000 project, the Company plans to set up 500 kV grid stations which would enable the Company to off-take additional supply from the National Grid. These initiatives are expected to significantly improve the system reliability and performance of KE's transmission network, while also enabling KE to serve the incremental power demand.

Further, the Company continues to prioritize safety in all of its operations and remains firm in its commitment to ensure the safety of its people, infrastructure as well as the safety of the people and the communities it works with.

Customer-centricity is a core organizational value, reiterating the Company's belief that customers are at the heart of our business. Making KE increasingly more accessible to customers and enabling self-service solutions are high on the Company's agenda. In this regard, we have further extended and enhanced KE's customer service portfolio through the addition of a Mobile App as well as a Web-based Consumer Portal, with efforts already underway to scale up its offerings. The Company is also exploring multiple payment solutions to further facilitate customers.

A key lever that has propelled the Company's growth is technology, underpinning many of its customer platforms and driving the organization to explore more efficient and innovative ways of doing business. The Company is also accelerating investments for technological advancements, including installation of Automated Meter Readers (AMR) technology at PMT level and implementation of Meter Data Management System (MDMS) Project, providing greater visibility into network performance and ensuring better transparency.

Further, the Company strongly believes in its professionally driven workforce and dynamic management, who are and will be the key to the success of the Company, and continue to strengthen the processes with the objective of attracting, hiring and retaining a high caliber and diverse employee base that can take the organization to the next level.

3.6 VENDORS TO THE ISSUER

A significant portion of KE's total payments are made to Fuel & Power Suppliers. Major contributors are listed below.

Fuel Suppliers

- Sui Southern Gas Company Ltd
- Pakistan State Oil
- Byco Petroleum Pakistan

Power Suppliers

- NTDC/CPPA-G
- Gul Ahmed Energy Limited
- Tapal Energy (Pvt.) Limited

- Sindh Nooriabad Power Company (Pvt.) Limited
- FFBL Power Company Limited
- Karachi Nuclear Power Plant

3.7 APPROVALS

KE has all the required licenses and approvals from the government and concerned regulatory authority for carrying out the business of Generation, Transmission and Distribution of electricity. Details of these licenses are provided below:

<table>
<tr><th colspan="4">Regulatory Licenses</th></tr>
<tr><th>License</th><th>Issue Date</th><th>Expiration Date[2]</th><th>Details</th></tr>
<tr><td>Generation (GL/04/2002)</td><td>Nov 18, 2002</td><td>Nov 17, 2027</td><td>The license allows KE to produce electricity by its generation plants. Remaining useful life of these plants have been tabulated below:
<table>
<tr><th>DETAILS</th><th>BPQS-I</th><th>KCCPP</th><th>KGTPS</th><th>SGTPS</th><th>BQPS-II</th></tr>
<tr><td>COD</td><td>1983-97</td><td>2008-15</td><td>2009-15</td><td>2009-15</td><td>2012</td></tr>
<tr><td>End of Useful Life[3]</td><td>2018-32</td><td>2039-40</td><td>2039-40</td><td>2039-40</td><td>2042</td></tr>
</table></td></tr>
<tr><td>Transmission (TL/02/2010)</td><td>June 11, 2010</td><td>June 10, 2030</td><td>This license allows KE to engage in the transmission of electric power business as transmission network and system operator within the territory defined in the license.</td></tr>
<tr><td>Distribution (09/DL/2003)</td><td>July 21, 2003</td><td>July 20, 2023</td><td>The license allows KE to exclusively carry out distribution service and make sales of electric power within the service territory of KE as defined in the license which includes Karachi and its suburbs.</td></tr>
</table>

Upon expiry of these licenses, KE being a going concern, shall apply for their renewal in accordance with the prevailing laws and regulations.

3.8 RELATED PARTIES TRANSACTIONS

Related parties of the Company comprise associated companies, state-controlled entities, staff retirement benefit plans, Company's directors and key management personnel. Details of transactions with related parties are as follows:

<table>
<tr><th colspan="7">Related Party Transactions</th></tr>
<tr><th rowspan="2">S.No</th><th rowspan="2">Related Parties</th><th rowspan="2">Relationship</th><th rowspan="2">Nature</th><th>FY 2017</th><th>FY 2018</th><th>FY 2019</th></tr>
<tr><th colspan="3">(PKR in Millions)</th></tr>
<tr><td>1</td><td>CPPA-G/NTDC</td><td>State controlled entity</td><td>Power purchases</td><td>40,039</td><td>45,658</td><td>52,596</td></tr>
</table>

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[2] As per Licenses issued by NEPRA

[3] Useful life as per Generation License Modification-VIII (dated March 13, 2019)

Related Party Transactions

S.No	Related Parties	Relationship	Nature	FY 2017	FY 2018	FY 2019
				(PKR in Millions)		
2	PSO	State controlled entity	Purchase of furnace oil and lubricants	30,354	40,838	54,217
3	SSGC	State controlled entity	Purchase of gas	29,452	25,569	58,648
4	BYCO	Common Directorship	Purchase of furnace oil	1,964	6,687	7,242
5	Provident fund	Post-employment benefits/plans	Contribution	747	812	915
6	Key Management Personnel	Employees	Managerial Remuneration	193	352	444
	Housing and Utilities			106	-	-
	Other allowances and benefits			238	236	266
	Retirement benefits			-	11	40
	Leave encashment			-	1	1.3

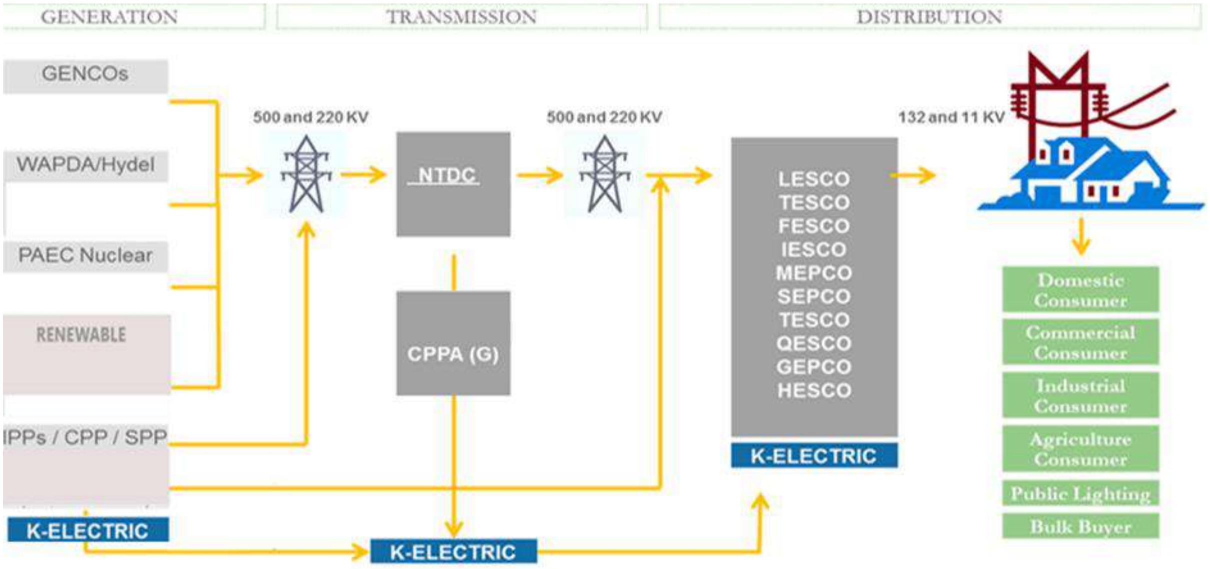
3.9 INDUSTRY OVERVIEW AND SECTOR ANALYSIS

Pakistan's power sector was historically served by two power entities namely the Water and Power Development Authority (WAPDA) serving most of the country, and KE serving Karachi and its adjoining areas. In 1997, the government adopted unbundling policies and enacted the NEPRA Act (1997) and WAPDA Act (1998).

As a part of the unbundling process, WAPDA was successfully unbundled into fourteen separate entities – four generation companies (GENCOs), nine distribution companies (XWDISCOs) and the National Transmission and Despatch Company (NTDC). While KE and XWDISCOs continue to hold regional monopolies – being the exclusive distributors in their service territories, the generation segment has managed to diversify its players to include both public and private sector entities.

The main aim of above initiatives was to promote efficiency and improve financial, operational and management competitiveness in all tiers of WAPDA to eventually offer affordable electricity to customers, however, due to lack of investments and private sector participation, T&D segment continues to face a number of operational challenges.

Key Players of Power Sector in Pakistan



- **WAPDA**

  WAPDA was established in 1958 as a semi-autonomous body for the purpose of coordinating and giving a unified direction to the development of schemes in water and power sectors, which were previously being dealt with, by the respective electricity and irrigation department of the provinces.

  In October 2007, WAPDA was further bifurcated into two distinct entities i.e. WAPDA and Pakistan Electric Power Company (PEPCO), with WAPDA being solely responsible for development of Hydel Power and Water Sector Projects.

- **NEPRA**

  National Electric Power Regulatory Authority (NEPRA) was established under the NEPRA Act 1997, as the regulatory body of the electricity sector. NEPRA is responsible for issuing licenses for generation, transmission and distribution of electric power, establishing and enforcing standards to ensure quality and safety of operation and supply of electric power to consumers, approving investment and power acquisition programs of the utility companies and determining tariffs for generation, transmission and distribution of electric power.

- **Generation Companies**

  The generation segment comprised of WAPDA (hydel power), four public sector generation companies (GENCOs), PAEC operated Nuclear plants and several Independent Power Producers (IPPs). These IPPs operate under the jurisdiction of Private Power and Infrastructure Board (PPIB) and Alternative Energy Development Board (AEDB) (in case of renewable power plants).

- **NTDC**

National Transmission & Despatch Company (NTDC) was incorporated on 6th November, 1998 and commenced commercial operation on 24th December, 1998. It was organized to take over all the properties, rights and assets obligations and liabilities of 220 kV and 500 kV Grid Stations and Transmission Lines/Network owned by Water and Power Development Authority (WAPDA). NTDC operates and maintains sixteen (16) 500 kV and forty-two (42)220 kV Grid Stations, 5,618 km of 500 kV transmission line and 10,478 km of 220 kV transmission line in Pakistan.

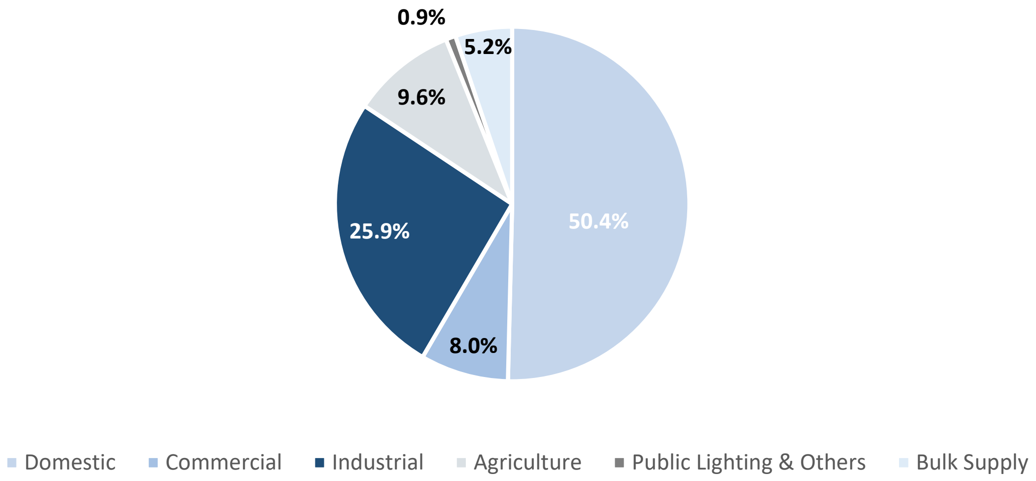
- **CPPA-G**

  Central Power Purchase Agency (Guarantee) Limited (CPPA-G) was incorporated under the Companies Ordinance in 1984, under which Federal Government transferred the role of power purchase from NTDC to CPPA-G. Since June 2015, CPPA-G has assumed the business of NTDC pertaining to the market operations and presently, is functioning as a Market Operator in accordance with Rule-5 of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the “Market Rules”).

- **State-Owned Distribution Companies**

  Currently, there are 10 state-owned Distribution companies (XWDISCOs) having exclusive distribution rights within their service territory as per the distribution license granted by NEPRA.

Sector-wise Electricity Consumption in Pakistan



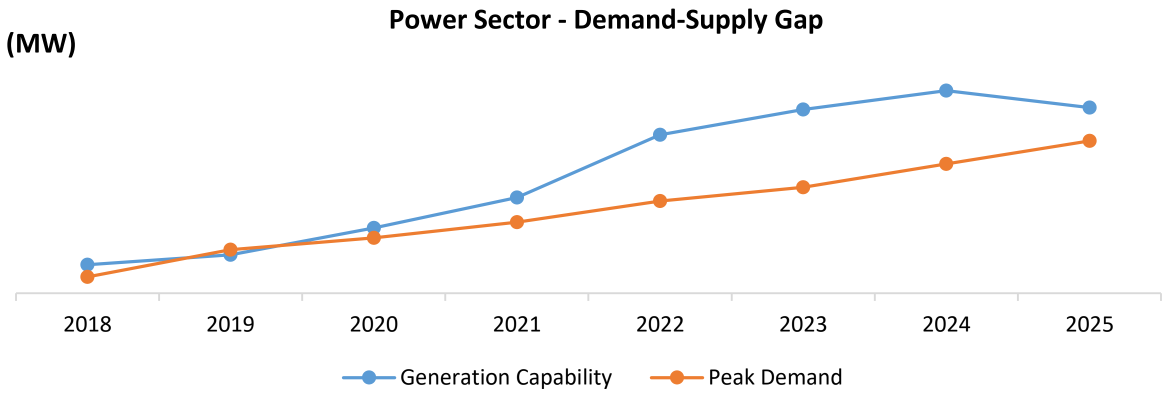
Sector Challenges

During the recent times, the power sector has seen major developments as the Government has given high priority to this sector. However, despite capacity additions of over 10,000 MW in the last five (5) years, overall energy planning remained fragmented across the energy value chain. Accordingly, even with significant additions in the generation segment, power supply has remained unreliable, primarily due to:

- Lack of investments resulting in T&D capacity constraints, as a result of which, despite availability of surplus capacity, the same cannot be served to the end-consumers

- High system losses and no improvement in recovery levels, adversely impacting the financial viability and sustainability of the distribution companies

As detailed above, with capacity additions on the generation side, the sector has moved into a surplus scenario, and the power surplus trajectory is expected to continue further. An overview of the historical and projected demand-supply gap is provided below:



Source: NEPRA State of Industry Report, 2017 & 2018

Circular Debt*:* It is also one of the prominent challenges that are deterring our market performance. The power sector of Pakistan suffers from circular debt due to its inability to meet targets for loss reduction owing to theft, inefficiencies and recovery losses. This hinders the ability of power sector to discharge its obligations towards fuel suppliers and banks; thereby, creating a financial gap which in turn affects the energy and financial sectors.

Given these challenges, while the sector continues to remain among the top priorities of the government, there is an inherent need for targeted reforms, aimed at attracting private sector investment in the T&D segment. In this regard, KE's turnaround validates the case for privatization of state-owned entities, which would help lower their dependence upon the government, thus making them self-sufficient, both operationally as well as financially.

PART IV

4 PRINCIPAL PURPOSE OF THE ISSUE AND FUNDING ARRANGEMENTS

4.1 PRINCIPAL PURPOSE OF THE ISSUE AND UTILIZATION OF PROCEEDS

The primary utilization purpose of the Sukuk proceeds is to fund routine operational and capital expenses requirements of the Company and to repay the PKR 20 Bn bridge facility obtained from HBL for the same purpose. Detailed breakup is as under:

1. Approximately PKR 10.7 Bn incremental working capital requirement resulting from the arrangement whereby 60 MMCFD of indigenous gas was swapped with RLNG as an alternate fuel; and substantial increase in the price of indigenous gas., from Rs. 400 / MMBTU to Rs. 824 / MMBTU.

2. Approximately PKR 600 Mn additional working capital requirement resulting from addition of new IPPs in generation pool of KE.

3. Approximately PKR 13.7 Bn to fund ongoing capital expenditure (non-project) in Generation, Transmission and Distribution segments of the Company. These include recurring maintenance, protection, overhauling and distribution loss reduction & growth-related initiatives such as Earthing & ABC.

**Please note that PKR 23.7 Bn raised through Pre-IPO investors has been primarily utilized to repay the bridge facility of PKR 20 Bn, and the remaining amount is being used for the above-mentioned purpose. Further, the proceeds from IPO portion will also be utilized for the same purpose.*

PART V

5 THE ISSUE

5.1 STRUCTURE OF THE ISSUE

The Issue Amount for the proposed Sukuk is up to PKR 25,000 million in the form of Rated, Secured and Listed Sukuk being the instrument of Redeemable Capital under Section 66 of the Companies Act, 2017 for the tenor of seven (7) years.

Out of the total Issue Size:

- ✓ Allocation of capital to the Pre-IPO investors is PKR 23,708 Mn
- ✓ Allocation of capital available to General Public (excluding the Pre-IPO) is up to PKR 1,292 Mn

The Sukuk Issue has a floating rental at a rate of 1.7% over 3-month KIBOR, subject to a floor of 2% and a cap of 25% to comply with Shariah principles. The rental will be revised every three months, based on the 3-month KIBOR prevailing on the Base Rate setting date in accordance with the terms of the Sukuk transaction documents. Rental will be payable quarterly in arrears calculated on 365 days a year basis (366 days in case of leap year) against the use of leased assets under Sukuk. The first such rental payment will fall due three months from the Sukuk Issue date and subsequently every three months thereafter.

Before the Issue Date, in relation to the Pre-IPO placement, the Base Rate has been set on the first disbursement date and subsequently on each quarterly rental date till the Issue Date. For the subscription under the IPO, the Base Rate will be set one day prior to commencement of subscription period. After the Issue Date, the Base rate will be set one day prior to each installment date as mentioned in the subsequent para. Profit is payable to each Sukuk Certificate holder from the date when such Sukuk Certificate Holders have applied, subscribed and made payment for subscription of relevant Sukuk Certificate. To bring the IPO and Pre-IPO investors at par before the credit of Sukuk certificates, profit for the interim period, i.e. from the disbursement of the funds by the Pre-IPO investors until the day before the Issue Date shall be paid separately to the pre-IPO investors.

5.2 SALIENT FEATURES OF THE ISSUE

Issuer	K - Electric Limited
Issue Type	Rated & Listed Sukuk Offering by way of Diminishing Musharakah
Issue Amount	Up to PKR 25,000 Mn
Pre-IPO and IPO	✓ Allocation of capital to the Pre-IPO investors is PKR 23,708 Mn ✓ Allocation of capital available to the General Public (excluding the Pre-IPO) up to PKR 1,292 Mn

<table>
<tr><td>Purpose & Utilization of Funds</td><td>The primary utilization purpose of the Sukuk proceeds is to fund routine operational and capital expenses requirements of the Company. Bridge facility of PKR 20,000 Mn was availed earlier from HBL for the same purpose has already been settled through pre-IPO proceeds of the Sukuk Issue. For further details please refer to section 4.1</td></tr>
<tr><td>Tenor</td><td>Seven (7) years (inclusive of a Grace Period) from the Issue Date.</td></tr>
<tr><td>Grace Period</td><td>Two (2) years from the Issue Date.</td></tr>
<tr><td>Profit Rate</td><td>3-months KIBOR plus 170 bps, subject to a floor of 2% and a cap of 25% to comply with shariah principles</td></tr>
<tr><td>Denomination of Sukuk</td><td>PKR 5,000/-</td></tr>
<tr><td>Sukuk Redemption</td><td>Sukuk will be redeemed in twenty (20) equal payments, on a quarterly basis. The first such redemption will be due at end of the twenty seventh (27th) month from the issue date:
<table>
<tr><th>Year</th><th>Sukuk Redemption (% of the Issue Size)</th></tr>
<tr><td>1</td><td>-</td></tr>
<tr><td>2</td><td>-</td></tr>
<tr><td>3</td><td>20%</td></tr>
<tr><td>4</td><td>20%</td></tr>
<tr><td>5</td><td>20%</td></tr>
<tr><td>6</td><td>20%</td></tr>
<tr><td>7</td><td>20%</td></tr>
</table></td></tr>
<tr><td>Rental Payment Frequency</td><td>Quarterly Basis, the detailed mechanism is defined in Part V section 5.4.</td></tr>
<tr><td>Prepayment</td><td>Pre-payment/early Purchase shall be allowed after expiry of the Grace Period. In case of Pre-payment/early Purchase, the unit price may be revised by adding 1% of the face value of the amount prepaid in addition to the early Purchase price of face value of such units and rental amount due till that date.</td></tr>
<tr><td>Security</td><td>The Sukuk facility has been secured by:
a. A first charge over the Hypothecated Properties, in favour of the Sukuk Trustee for the benefit of Sukuk holders. The list contains a total of 50 grid stations that KE has identified having total valuation of PKR 33.4 Bn.
b. A first hypothecation charge over the Hypothecated Collections, Accounts and Deposits in favour of the Sukuk Trustee for the benefit of Sukuk holders.
c. A first charge by way of letter of lien over the Hypothecated Accounts and Deposits in favour of the Sukuk Trustee for the benefit of Sukuk holders.</td></tr>
</table>

	d. A first charge by way of letter of lien over the Payment Account and deposits in favour of the Sukuk Trustee for the benefit of Sukuk holders. Further, during the tenor of Sukuk the Security created over the Hypothecated Properties may be released/vacated from time to time to the extent of amounts paid to Sukuk holders towards rental payments and buy out prices, provided value of the remaining Hypothecated Properties subject to the Security will always be more than the outstanding amounts under the Sukuk (i.e. outstanding rental payments and buy out prices) plus 25% margin, compliance with financial covenants and non-occurrence of dissolution event or potential dissolution event.
Collection Mechanism	All collections of HBL banking pool is routed and retained as per the retention requirements through a specific Master Collection Account ("MCA") from KE's existing collection accounts maintained with HBL. The MCA and existing collection accounts are under hypothecation charge and lien of the Trustee along with right of setoff. The mechanism will be as follows: i. In normal course of business, funds equivalent to 1/3rd of quarterly installment requirement will be retained in MCA on monthly basis and any excess funds will be released to KE as per their instructions or credited into KE checking account, subject to terms of legal documents including collection agreement; ii. 1 day prior to the quarterly installment date, the retained funds will be transferred into the Payment Account for onward payments to the Sukuk holders; and In case of an event of default as defined in the legal documentation, Trustee may exercise its right of lien and funds will not be released to KE without Trustee's permission. In this case Trustee may use the collection proceeds to adjust the Sukuk holders' due amount.
Instrument Rating	AA + (Double A Plus)
Entity Rating	AA (Double A)
Listing	Sukuk Issue will be listed on the Pakistan Stock Exchange Limited

Going forward KE intends to reorganize its existing security arrangement and create one or more common pools of security over specific present and future assets and properties of the Issuer (including the properties which will be part of the Security) in favour of a Common Security Trustee (CST) , who will hold such Security interests for the benefit of one or more pools of long term financiers (including Sukuk

Trustee). It may be noted that there will be no adverse change in the Sukuk structure (including the Sukuk Trustee) and Security and/or the secured properties under the Sukuk Transaction Documents, which may be against the interest of the proposed Sukuk holders in any way. To give effect to such reorganization of security arrangement, the existing Security created in favor of the Sukuk Trustee will be vacated and concurrently common security pool(s) will be created in favor of the CST.

The issuer will notify Sukuk Trustee at the time of initiation of the above reorganization process and the Sukuk Trustee will be authorized to take necessary actions and execute (without requiring any consent/approval of Sukuk holders) any:

- documents related to common security pool(s) arrangement and CST relationship;
- amendments/supplementals to relevant Sukuk Transaction Documents and no objection certificates and any instrument necessary for common security pool(s) arrangement and CST; and
- intercreditor agreement / security sharing agreement or other document for enforcement and sharing of common security pools.

5.3 OUTSTANDING DEBT SECURITIES ISSUED IN PRECEDING YEARS

Details of Company's debt securities outstanding as of March 31, 2019 issued in preceding years is appended below:

Description of Issue	**Listed Sukuk-4 (Sukuk-ul-Musharika)**
Date of Issue	June 17, 2015
Issue Size	PKR 22,000 million
Amount redeemed	PKR 11,000 million
Amount Outstanding	PKR 11,000 million
Amount of Profit Paid	PKR 7,185,955,233
Tenor	Seven years
Credit Rating	AA+ (Double A plus) by VIS Credit rating agency and Islamic International Rating Agency, Bahrain (IIRA)

Description of Issue	**Islamic Commercial Paper (ICP-5)**
Date of Issue	February 14, 2020
Issue Size	PKR 4,295 million
Discounted face value	PKR 4,003 million
Amount redeemed	Instrument is redeemable at maturity date in bullet payment
Amount of Profit Paid	Profit will be paid at redemption
Tenor	Six Months
Credit Rating	A1+ (A One plus) by VIS Credit Rating Company Limited

Description of Issue	**Islamic Commercial Paper (ICP-6)**
Date of Issue	February 26, 2020

Issue Size	PKR 4,295 million
Discounted face value	PKR 4,003 million
Amount redeemed	Instrument is redeemable at maturity date in bullet payment
Amount of Profit Paid	Profit will be paid at redemption
Tenor	Six Months
Credit Rating	A1+ (A One plus) by Pakistan Credit Rating Agency (PACRA)

Description of Issue	**Islamic Commercial Paper (ICP-7)**
Date of Issue	March 10, 2020
Issue Size	PKR 5,400 Million
Discounted face value	PKR 5,053 Million
Amount redeemed	Instrument is redeemable at maturity date in bullet payment
Amount of Profit Paid	Profit will be paid at redemption
Tenor	Six Months
Credit Rating	A1+ (A One plus) by Pakistan Credit Rating Agency (PACRA)

5.4 REDEMPTION SCHEDULE

The tentative Redemption schedule for Sukuk of an aggregate face value of PKR 5,000/- based on 3M KIBOR (assumed as 8.17% as at April 30, 2020) plus 170 bps per annum for Sukuk, is set out in the table below (only for calculation purpose):

Redemption Schedule				
Months	**Musharakah Investment Redemption**	**Indicative Profit**	**Total Payment**	**Musharakah Investment Outstanding**
0				5,000
3		123.4	123.4	5,000
6		123.4	123.4	5,000
9		123.4	123.4	5,000
12		123.4	123.4	5,000
15		123.4	123.4	5,000
18		123.4	123.4	5,000
21		123.4	123.4	5,000
24		123.4	123.4	5,000
27	250	123.4	373.4	4,750
30	250	117.2	367.2	4,500
33	250	111.0	361.0	4,250
36	250	104.9	354.9	4,000
39	250	98.7	348.7	3,750
42	250	92.5	342.5	3,500
45	250	86.4	336.4	3,250
48	250	80.2	330.2	3,000

Redemption Schedule				
Months	**Musharakah Investment Redemption**	**Indicative Profit**	**Total Payment**	**Musharakah Investment Outstanding**
51	250	74.0	324.0	2,750
54	250	67.9	317.9	2,500
57	250	61.7	311.7	2,250
60	250	55.5	305.5	2,000
63	250	49.4	299.4	1,750
66	250	43.2	293.2	1,500
69	250	37.0	287.0	1,250
72	250	30.8	280.8	1,000
75	250	24.7	274.7	750
78	250	18.5	268.5	500
81	250	12.3	262.3	250
84	250	6.2	256.2	0
	5,000	**2,282.4**	**7,282.4**	

Notes:

- **KIBOR has been assumed as 8.17% as of April 30, 2020.**
- **The above schedule does not include Zakat and Withholding Tax and will be applied as per the relevant ordinance, if the investors are not exempted.**

5.5 REDEMPTION RESERVE

1. In normal course of business, funds equivalent to 1/3rd of quarterly instalment requirement will be retained in MCA on a monthly basis and any excess funds will be released to KE as per their instructions.
2. 1 day prior to the quarterly instalment date, the retained funds will be transferred into the payment account for onward payments to the sukuk holders.
3. No other reserve will be created.

5.6 CALL OPTION

KE may call the Sukuk, after the expiry of the grace period, subject to not less than 30 days' prior notice being given to the investors through the Trustee. The call option once announced will be irrevocable. No put option shall be available to the investors.

5.7 DEDUCTION OF ZAKAT

Zakat is deductible in case of the Sukuk being held by Muslim citizens of Pakistan, except where a statutory declaration of exemption is filed, and in case of certain non-corporate entities such as Trust Funds, etc., (subject to being qualified for non-deduction of Zakat under the Zakat and Ushr Ordinance, 1980). Zakat is withheld at 2.5% of the redeemed principal amount.

5.8 INCOME TAX

Any income derived from investment in Sukuk shall be subject to income tax as per the Income Tax Ordinance, 2001. Withholding tax, as specified in Part III Division IB of the First Schedule of the said ordinance shall be applicable.

5.9 DEDUCTION OF WITHHOLDING TAX

Profit paid to Sukuk Holders will be subject to withholding tax under section 150A of the Income Tax Ordinance, 2001 specified in Part III Division IB of the First Schedule of the said Ordinance or any time to time amendments therein. Rates of tax specified under Division IB are as follows:

Withholding Tax		
Category	**Tax Rate for Persons appearing in Active Tax payer List**	**Tax Rate for Persons not appearing in Active Tax payer List**
Company	15%	30%
Individual or Association of Persons (if return on Investment is more than one million)	12.50%	25%
Individual or Association of Persons (if return on Investment is less than one million)	10%	20%

5.10 CAPITAL GAIN

Any capital gain derived from the sale of the Sukuk shall be subject to capital gain tax as per section 37A of the Income Tax Ordinance, 2001. Applicable capital gain tax rates for FY 2020 are as follows:

1. For persons appearing in Active Tax Payer List: 15.0%
2. For persons not appearing in Active Tax Payer List: 30.0%

5.11 MARKET MAKING

Arif Habib Limited will act as Market Maker for the Sukuk. The Market Maker will at all times hold at least 1.00% of the IPO Portion of Sukuks only. The Market Maker shall mandatorily make available two way quotes on daily basis with a maximum spread of 1.5% till complete redemption of the Sukuks.

The Market Maker shall ensure that net buying or net selling does not exceed more than 0.50% of the Sukuk Certificates of the IPO Portion during a business day and its inventory shall not exceed Sukuk Certificates equivalent to PKR 25,000,000 (Pak Rupees Twenty Five Million) in value.

For abundant clarity, if during a given Business Day the net amount of buying or selling by market maker of Sukuk does not exceed 0.50% of the IPO Portion the Market Maker will continue to give 2-way quotes. However, in case during a Business Day the net buying by Market Maker (in terms of amount in PKR) exceeds 0.50% of IPO Portion, the Market Maker will only give one-way quote for selling the Sukuk till such time the net buying amount falls below 0.50% of the IPO Portion (in terms of amount in PKR) and vice versa. Further, once the inventory held by Market Maker reaches PKR 25,000,000 (Pak Rupees Twenty Five Million), the Market Maker will only give one-way quote for selling the Sukuk till such time the inventory held by the Market Maker does not fall below PKR 25,000,000 (Pak Rupees Twenty Five Million).

The Market Maker will be obligated to replenish its orders/quotes immediately following full execution, withdrawal, expiration or any change in the price of either bid or offer. The Market Making Orders/Quotes are to be maintained on both sides during Market Making period as per Market Making agreement which shall be for the tenor of the Sukuk.

The Designated Market Maker shall be allowed to execute Blank Sale in Assigned Security subject to the condition that sufficient Pre-Existing Interest exists in the account(s) of Designated Market Maker at the end of each Blank Sale day to validate that the Designated Market Maker can deliver the quantity sold blank during the trading day, failing which the NCCPL shall have the right to impose additional margin on such Market Maker. Market Marker shall make available copy of the Prospectus to the investors at all times.

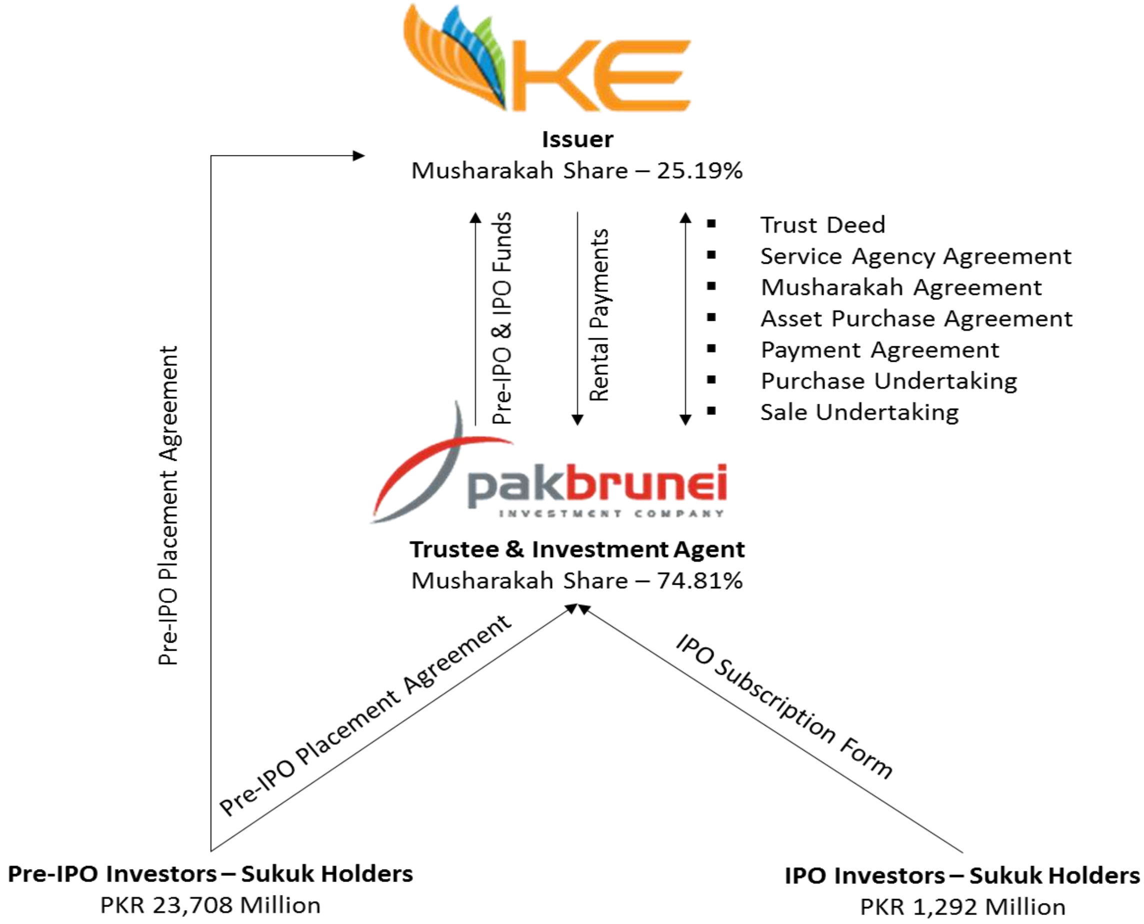
5.12 DISCLOSURE OF DEFERRED TAXATION

Deferred tax is recognized using the balance sheet method, providing for all taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantively enacted at the reporting date.

The Company recognizes deferred tax asset to the extent that it is probable that taxable profits for the foreseeable future will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

As at June 30, 2019, the Company has aggregated deferred tax debits amounting to Rs. 114,670 million (2018: Rs. 98,277 million) out of which deferred tax asset amounting to Rs. 56,859 million (2018: Rs. 45,884 million) has been recognised and remaining balance of Rs. 57,811 million (2018: Rs. 52,393 million) remains unrecognised. As at year end, the Company's carried forward tax losses amounted to Rs. 296,993 million (2018: Rs. 267,145 million), out of which business losses amounting Rs.107,553 million (2018: Rs. 98,006 million) have expiry period ranging between 2020 and 2025.

5.13 STRUCTURE OF THE INSTRUMENT



1. The proposed Shariah Structure is **Sale and Lease back under Diminishing Musharakah 'DM'**. For this Structure, the certain identified Transmission Assets worth PKR 33.4 billion will be used.

2. KE has sold the beneficial ownership of the Assets worth PKR 25 billion via **Asset Purchase Agreement "APA"** (Offer & Acceptance) after obtaining permission of sale from the existing charge holders (where needed) and the ownership of the Assets has transferred to Sukuk holder ('the Investors') through Investment Agent whereas legal title of the Assets will remain with KE.

3. The funds generated through Pre-IPO & IPO will be utilized by the Investment Agent, on behalf of the investors, to make payment to KE against purchase of Musharakah Assets.

4. The Investment Agent has entered into **Musharakah Agreement** with KE by executing Musharakah Agreement under which the investors (through Investment Agent) and KE will jointly own the Musharakah Assets in 74.81:25.19 ratio respectively.

5. KE has been appointed as the manager and agent of other co-owners of the assets and will be referred as "Managing Co-Owner". The Managing Co-Owner will be responsible for structural

maintenance, Takaful/Insurance security and payment of ownership related expenses and taxes in respect of Musharakah Assets. The cost actually incurred on account of aforementioned services by Managing Co-Owner in respect of Investment Agent's share in Musharakah Assets (to be called as Asset Service Charge) Amount for the transaction tenor will be reimbursable to Managing Co-Owner by Investment Agent subject to submission of documentary evidences for all such expenses incurred.

Managing Co-Owner will arrange insurance of the Musharakah Assets under Islamic Concept of Takaful or otherwise will provide written justification for procuring conventional insurance. In case of total loss/destruction of the Musharakah Assets, the Takaful claims received will be shared among Participants and KE in the ratio of their Musharakah share. In case of conventional insurance, the claims received will be treated in the manner advised by the Shariah Board at the time of receipt of such claims.

6. Investment Agent on behalf of investors has leased the Investors' Share in Musharakah Assets to KE by executing a **Payment Agreement**. KE agreed to take on lease the same in consideration for quarterly Rental Payments.
    - Under Payment Agreement, the rent will be given to Investment Agent for onward distribution to the Investors. KE will continue to make rental payments in accordance with terms of Payment Agreement and other Sukuk documents starting from first subscription date under pre-IPO and IPO till maturity (including Grace Period);
    - Rent to be calculated at the start of the first rental period on the basis of Rental Benchmark in terms set forth in Payment Agreement;
    - The subscription rental period under pre-IPO and IPO will commence on first subscription date thereunder and end on the Issue Date. Thereafter, the first rental period will commence from the first calendar day after the Issue Date and end on the First Rental Payment Date upon issuance of Rental Payment Notice in accordance of terms set forth in the Payment Agreement, which will be accepted by KE for commencement of Rental Term; and
    - Following Issue Date, subsequent rental periods will comprise of three (3) months.

7. Profit Rate for rental calculation is subject to the floor and cap of 2% and 25%, respectively.

    - Under pre-IPO, funds have been immediately made available to KE and this has made the participants eligible for rental returns. This is because the proportional ownership of Sukuk assets against this payment of contributions is transferred to the Pre-IPO subscribers through sale and purchase agreement already executed as "Asset Purchase Agreement."
    - On deposit of the funds of IPO period in KE account by any subscriber, a sale of proportion of KE Sukuk assets will occur between KE and the subscriber. Accordingly, the subscribers will become eligible to receive rentals from the date of funds availability.

8. KE undertakes through **Purchase Undertaking** to purchase the investors' share in Musharakah Assets. Since the Musharakah Assets consist of multiple assets therefore KE will buy one by one on priority basis as per pre-agreed buyout schedule, in equal Buy-Out price quarterly starting from the

end of 27th month from the Issue date. Sukuk will be redeemed in twenty (20) equal payments post expiry of the Grace Period, on a quarterly basis.

9. The Investment Agent will hold the assets available for IPO subscriber as an agent and trustee of KE. In the IPO period when the funds will be deposited in KE account by any subscriber, a sale of proportion of KE Sukuk assets will occur between KE and the subscriber through Investment Agent. Accordingly, the subscribers will become eligible to receive rentals from the date of funds availability.

10. Through an **Undertaking,** Investment Agent undertakes **to Sell** Investors' share of Musharakah Assets to KE, whereby KE may purchase Musharakah Units of Investors (through Investment Agent) upon Early Purchase Option/Voluntary Pre-payments (Early Redemption of Sukuk Units other than agreed buyout scheduled of Undertaking to Purchase).

At the end of Tenure, the complete ownership of Musharakah Assets will be transferred to KE upon purchase of agreed share of ownership of investors.

5.14 SHARIAH BOARD

An independent "**Shariah Advisory Board to the Issue**" has been formed by the Company solely for the purpose of the Issue which shall remain appointed throughout the tenor of the Issue. The Shariah Advisory Board to the Issue comprises following Shariah scholars:

1. Dr. Muhammad Zubair Usmani
2. Mufti Irshad Ahmad Aijaz
3. Dr. Ejaz Ahmed Samadani
4. Dr. Noor Ahmed Shahtaz
5. Mufti Muhammad Yahya Asim

5.15 PROFILES OF THE MEMBER OF THE SHARIAH ADVISORY BOARD

1. DR. MUFTI MUHAMMAD ZUBAIR USMANI

Dr. Muhammad Zubair Usmani is Chairman HBL Shariah Board. He is a qualified and one of the most experienced Shariah Scholars in the Islamic Banking Industry. He did his Shariah graduation (Fazil Dars-e-Nizami) & Takhassus Fil Fiqh (Mufti i.e. Specialization in Islamic Fiqh & Fatawa) from Jamia Dar ul Uloom, Karachi. He has done Masters in International Relations and Doctorate (PhD) in Islamic Finance from University of Karachi. Dr. Zubair Usmani is author of several books including related to Accounting & Auditing for Islamic Financial system, comparative study between Islam and Christianity and Ijarah (Islamic Leasing). His research papers have been published in various international journals. He has delivered research-based lectures/presentations at different national and international seminars, forums and conferences. Dr. Usmani served as Shariah Advisor to MCB Islamic Banking for 14 years and has been associated with several financial institutions and has also served as a member of Shariah Board of State Bank of Pakistan. Currently he is also associated with UBL Ameen Islamic banking and Habib Metro Al Sirat Islamic banking as Chairman Shariah Board, MCB Arif Habib Savings as member Shariah Board, IGI Life Takaful as Shariah Advisor and several other institutions.

2. MUFTI IRSHAD AHMAD AIJAZ

Mufti Irshad is a Shariah scholar in the field of Islamic Finance in Pakistan. He hold positions in many financial, educational and standard-setting institutions and bodies.

Currently he is working as: a Member of AAOIFI Shariah Standard Committee – Karachi; Chairman, Shariah Advisory Committee, State Bank of Pakistan; Chairman, Shariah Supervisory Board Bankislami Pakistan Limited; Chairman, Shariah Supervisory Board, Summit Bank Limited; Member, Shariah Committee, Standard Chartered Bank Pakistan Limited; and Shariah Consultant, Shariah Review Bureau, Bahrain.

He is a visiting faculty member of NIBAF (National Institute of Banking and Finance), IBA Karachi, CIE (Center for Islamic Economics) and Shaikh Zayed Islamic Center, Karachi. He regularly deliver lectures on Islamic Economics and Finance at different forums and educational institutions, locally and abroad.

3. DR. MUFTI EJAZ AHMAD SAMADANI

Dr. Ejaz Ahmed Samadani is Member Shariah Board of HBL. He is an eminent Shariah scholar and has sound experience of Islamic Banking & Finance. Dr. Samadani has a strong academic background in Islamic Studies and Islamic Economics. He completed his religious qualifications such as Takhassus fi Iftaa & Shahdat ul Aalimiyah from Jamia Dar ul Uloom, Karachi. Dr. Samadani has done his Masters of Arts in Islamic Studies and LLB from Bahauddin Zakariya University and Sindh Muslim Government College respectively. Further, he did his Doctorate (PhD) from Karachi University (on the topic of Islamic Banking and Gharar (uncertainty)). He is the faculty member of Centre for Islamic Economics, Vice Chairman of "Takhassus fi Al Dawa" in Jamia Darul Uloom, Chairman Shariah Board Maldives Islamic Bank and Member Shariah Board of various banking and non-banking financial institutions in Pakistan. He has delivered several lectures at local and international forums and has issued about more than three thousand fatwas on different Islamic topics especially in Islamic finance and family laws. He has written many books on different Shariah matters and his several research papers have been published in various well renowned newspapers and magazines.

4. PROF. DR. NOOR AHMED SHAHTAZ

Dr. Noor Ahmed is a research scholar, having vast experience in Research Methodology and had been a Director of Shaikh Zayed Islamic Research Centre University of Karachi for 7 years. He is Member of Sharia Advisory Committee of the State Bank of Pakistan, Member Sharia Advisory Board Summit Bank Ltd., Advisor of Federal Shariat Court Islamabad. He had also served as a member of the Special Committee of National Commission on the Status of Women (NCSW) to review the Hudood Ordinance.

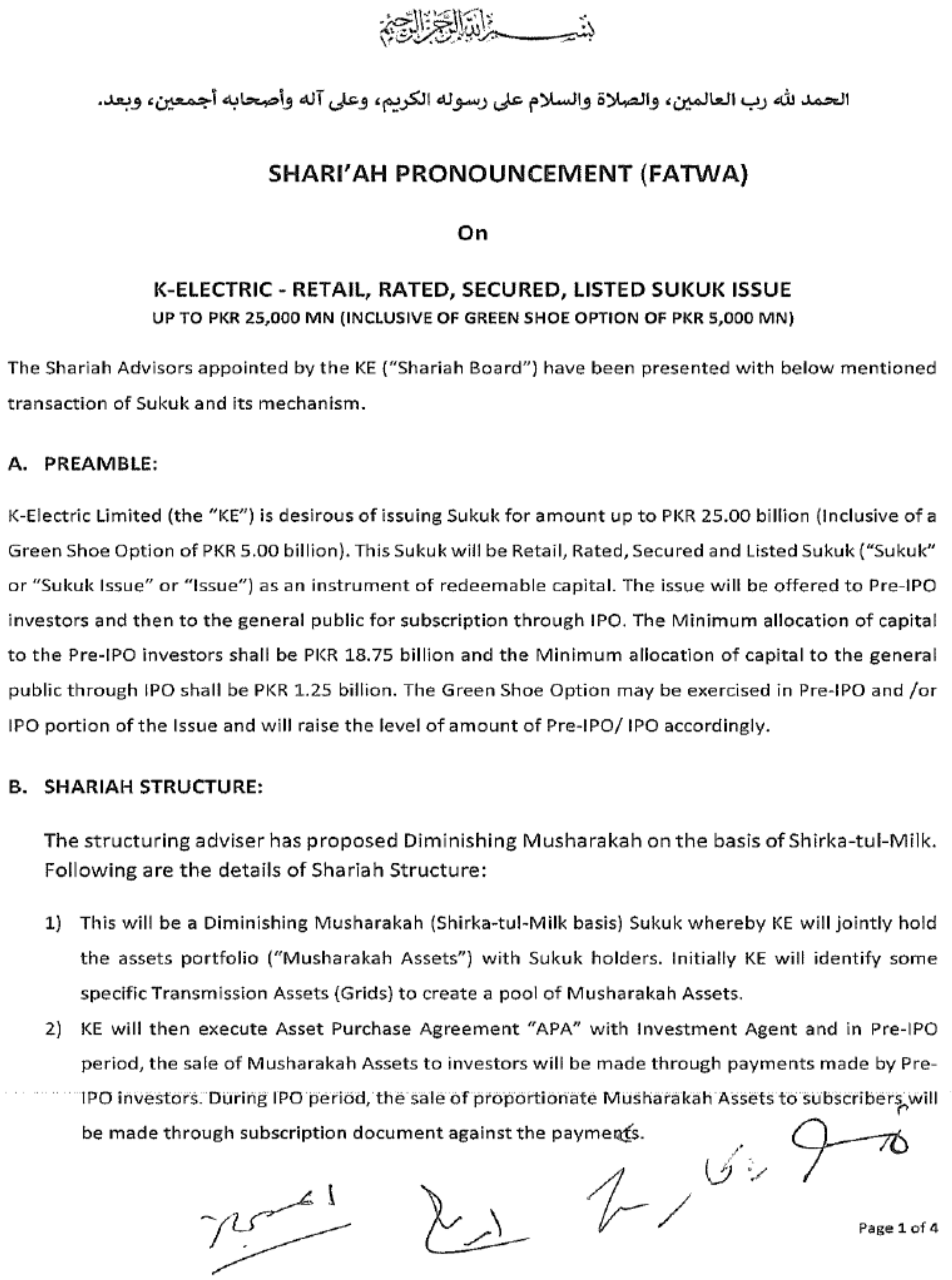
Noor Ahmed is a former member of Council of Islamic Ideology Government of Pakistan, Member Board of Governors, Pakistan Halal Authority, under the Ministry of Science and Technology Gov't of Pakistan Islamabad. Member Pakistan Madrassah Education Board, Federal Ministry of Religious Affairs, Government of Pakistan Islamabad. Dr. Shahtaz has 20 years of experience in Darul Ifta and 27 years of teaching experience in the University of Karachi, including Islamic Banking, and has lectured in different universities, banking institutions, etc.

At present, he is Shaikhul Hadeeth/Mufti at Darul Uloom Hanfia PECHS, Karachi. He had been Shariah Advisor for UBL Ameen for six years, and for Al –Zamin Leasing Ltd. Dr. Shahtaz also holds degree of Dars-e-Nizami (al- Shahadah Al- Alamia), equal to M.A (Islamic Studies), M.A (Arabic), besides that he did his Regular Bachelor, Masters and LLB from University of Karachi. He has done Ph.D. on “Hudood, system of Islam” from Karachi University.

5. MUFTI MUHAMMAD YAHYA ASIM

Mufti Muhammad Yahya Asim is a resident Shariah Board Member of HBL Islamic Banking. He has been associated with the field of Islamic studies for over 20 years; he holds a double master’s degree in International Relations and Arabic and Islamic Studies respectively. Mr. Asim completed his specialization in Islamic Fiqh and Fatwa (Islamic Jurisprudence) from the well renowned Jamia Dar ul Uloom Karachi (1988-91). This was further reinforced by his specialization as Alimiyyah (Darse Nizami). He is also currently pursuing a PhD. He has delivered several lectures at local and international forums and has issued about more than thousand fatwas on different Islamic topics especially in Islamic Finance and Family Law. He is a faculty member for Islamic Economics at Jamia Dar ul Uloom Karachi and National Institute of Banking and Finance (NIBAF).

5.16 SHARIAH PRONOUNCEMENT (FATWA)



بسم الله الرحمن الرحيم

الحمد لله رب العالمين، والصلاة والسلام على رسوله الكريم، وعلى آله وأصحابه أجمعين، وبعد.

SHARI'AH PRONOUNCEMENT (FATWA)

On

K-ELECTRIC - RETAIL, RATED, SECURED, LISTED SUKUK ISSUE

UP TO PKR 25,000 MN (INCLUSIVE OF GREEN SHOE OPTION OF PKR 5,000 MN)

The Shariah Advisors appointed by the KE ("Shariah Board") have been presented with below mentioned transaction of Sukuk and its mechanism.

A. PREAMBLE:

K-Electric Limited (the "KE") is desirous of issuing Sukuk for amount up to PKR 25.00 billion (Inclusive of a Green Shoe Option of PKR 5.00 billion). This Sukuk will be Retail, Rated, Secured and Listed Sukuk ("Sukuk" or "Sukuk Issue" or "Issue") as an instrument of redeemable capital. The issue will be offered to Pre-IPO investors and then to the general public for subscription through IPO. The Minimum allocation of capital to the Pre-IPO investors shall be PKR 18.75 billion and the Minimum allocation of capital to the general public through IPO shall be PKR 1.25 billion. The Green Shoe Option may be exercised in Pre-IPO and /or IPO portion of the Issue and will raise the level of amount of Pre-IPO/ IPO accordingly.

B. SHARIAH STRUCTURE:

The structuring adviser has proposed Diminishing Musharakah on the basis of Shirka-tul-Milk. Following are the details of Shariah Structure:

1) This will be a Diminishing Musharakah (Shirka-tul-Milk basis) Sukuk whereby KE will jointly hold the assets portfolio ("Musharakah Assets") with Sukuk holders. Initially KE will identify some specific Transmission Assets (Grids) to create a pool of Musharakah Assets.
2) KE will then execute Asset Purchase Agreement "APA" with Investment Agent and in Pre-IPO period, the sale of Musharakah Assets to investors will be made through payments made by Pre-IPO investors. During IPO period, the sale of proportionate Musharakah Assets to subscribers will be made through subscription document against the payments.

Page 1 of 4

3) The funds provided by Pre-IPO and IPO investors will be paid to KE by the Investment Agent, on behalf of the investors, to make payments to KE against purchase of Musharakah Assets.

4) Investment Agent will enter into Musharakah Agreement under which the investors and KE will jointly own the Musharakah Assets as per agreed ownership ratio.

5) KE will be appointed as the manager and agent of Sukuk Holders (co-owners of the Musharakah Assets) through Service Agency Agreement.

6) Under this agreement, KE (Managing Co-owner) will be responsible for major maintenance, to arrange Takaful / Insurance of Musharakah Assets and for payments of expenses and taxes in respect of Musharakah Assets.

7) The cost actually incurred on account of these services by Managing Co-owner in respect of Sukuk Holders' share in Musharakah Assets, will be reimbursable to Managing Co-Owner by Investment Agent subject to submission of documentary evidences for all such expenses incurred.

8) Investment Agent on behalf of investors, will lease out the Sukuk Holders' share in Musharakah Assets to KE by executing a Payment Agreement.

9) The lease period will commence from the date of receipt of funds by KE.

10) In Pre-IPO period, the investors will become eligible to receive rentals from the date of payment of funds to KE through Investment Agent.

11) During IPO period, the subscribers will also become eligible to receive rentals from the date of funds availability.

12) Base Rate for rental calculation is subject to the floor and cap of 2% and 25%, respectively.

13) KE may undertake through Purchase Undertaking to purchase the Sukuk Holders' share in Musharakah Assets on Buy-Out Price periodically.

14) Sukuk will be redeemed by KE on periodic basis, after expiry of Grace Period. The Musharakah Assets will be released from the Musharakah Pool after the receipt of payment by KE as per agreed redemption mechanism.

15) After Grace Period, KE may exercise Early Purchase Option for purchase of Musharakah Assets of KE through Sale Undertaking.

C. SUKUK AGREEMENTS AND DOCUMENTS:

Following are Sukuk Documents for this Sukuk issue which have been presented to Shariah Board:

1. Asset Purchase Agreement;
2. Musharakah Agreement;
3. Payment Agreement;
4. Purchase Undertaking
5. Sale Undertaking;
6. Investment Agency Declaration;
7. Service Agency Agreement;
8. Pre-IPO Placement Agreement;
9. Declaration of Trust

D. IMPORTANT NOTES:

(a) Subscription document for IPO investors will be presented to Shariah Board when it is finalized after Pre-IPO.

(b) In case of any deviation in execution from the above or any matter requires Shariah opinion according to Sukuk Regulations and other applicable sharia rulings, it will be referred to Shariah Advisors by KE to obtain Shariah ruling.

E. PRONOUNCEMENT:

The Shariah Board after reviewing the structure and related documents, is of the view that:

(a) This Sukuk is an acceptable Islamic financial instrument and its structure and related documents are within the principles of Shariah;

(b) All Shariah requirements of Sukuk have been fulfilled and the documents do not contain elements repugnant to Shariah to the best of our knowledge;

(c) This Sukuk issue is free from interest and other non Shariah compliant acts and provisions;

(d) This view is subject to satisfactory execution of Sukuk Documents as advised by us.

(e)

And Allah knows best,

و صلی الله علی نبینا محمد وآله و أصحابه و بارك وسلم

Muhammad Yahya Asim	**Dr. Ejaz Ahmad Samadani**	**Dr. Muhammad Zubair Usmani**
Shariah Advisor	Shariah Advisor	Shariah Advisor

Dr. Noor Ahmed Shahtaz	**Mufti Irshad Ahmad Aijaz**
Shariah Advisor	Shariah Advisor

Dated: December 06, 2019 (8th Rabi al Sani, 1441)

PART VI

6 RISK FACTORS

6.1 RISK FACTORS RELATED TO THE COMPANY

EXTERNAL RISK FACTORS

6.1.1 LIQUIDITY RISK - CIRCULAR DEBT SITUATION

KE’s receivables from various federal and provincial public sector entities have been accumulated, primarily due to significant pending tariff differential claims.

This risk is being managed through adjustment mechanism of payables against power purchases from CPPA-G against tariff differential claims (TDC), borrowing from commercial banks and arranging funds through capital market by issuance of debt instruments. Regular meetings and follow-ups with concerned ministries of GoP are being done to resolve the issue of TDC.

6.1.2 CURRENCY RISK

In KE’s context, currency risk arises mainly where foreign currency payables exist due to transactions entered into foreign currencies. This could be in the form of trade payables or long term debt in foreign currencies. The Company has executed cross currency swaps to hedge foreign currency risk arising out of all long term foreign currency loans.

6.1.3 FUEL SUPPLY RISK

Company’s ability to generate power is very much dependent on the availability of fuel, including gas and furnace oil. In case of gas supply, the Company does not have a signed Gas Supply Agreement with SSGC. However, continued gas supply is ensured through active collaboration with GoP and SSGC and by posting bank guarantees for timely payment to SSGC for gas supply.

KE’s long term furnace oil supply agreement with PSO is valid till Jun 2020. Extension in contract period is already under discussion with PSO. Moreover, the Company is also investing in alternate fuel based projects to diversify its fuel mix.

6.1.4 REGULATORY RISK

Changes in regulatory regime/framework may have an impact on Company’s operations/profitability.
KE engages in regular interactions/discussions with NEPRA/GoP to implement regulatory framework in a manner that supports business viability, continued investments across the value chain and improved consumer service. Information/data is provided to NEPRA on timely basis for greater transparency and to avoid possible conflicts. Further, legal opinions are sought to support KE’s stance on interpretation of regulatory matters, wherever required.

6.1.5 POWER SUPPLY RISK

Although KE is a vertically integrated utility, it purchases 800 MW from the National Grid which is an important component of the overall energy mix of KE. While PPA for 150 MW is in place, renewal of 650

MW PPA as also detailed in Section 3.1.1 is under discussion with CPPA-G/NTDC, and the supply from the National Grid continues.

Further, given the surplus capacity in the National Grid and considering the circular debt issue, one of the factors of which are the growing capacity payments, GoP and KE are in discussions for increase in supply from the National Grid, and accordingly, there is no risk of any reduction in supply to KE from the National Grid.

INTERNAL RISK FACTORS

6.1.6 LITIGATION RISK

Contingencies in relation to the key pending litigations are referred in note 31 of Annual Report for the year ended June 30, 2018 and Part 9 of this Prospectus. Based on the opinion of the Company's legal counsels, the management believes that the outcome of those cases will not result in any material adverse financial impact on the Company.

6.1.7 POWER SUPPLY RISK

To manage the growing power demand, KE is committed to its planned generation initiatives including 900 MW RLNG based power generation project, the first phase of which is expected to commission in Summer 2021 whereas entire project is expected to be commissioned by end of 2021. However, unforeseen circumstances might delay the project, though the Management is closely monitoring the progress and is fully committed to the planned timelines.

6.1.8 ENVIRONMENTAL RISK

Environmental contamination are inherent risks to the power generation facilities. The Company has implemented effective measures to counter any possible environmental contamination issues that may arise due to plant operations, and resultantly, the Company has not encountered any major environmental concerns. All of KE's five (5) power generation installations are in compliance with local and international environmental acts and regulations and have established Environment Management System (EMS) as per ISO 14001. Further, the Company is in compliance with international Health, Safety and Environment (HSE) management standards. Moreover, with the up-gradation of old plants and addition of new capacity based on latest technology, there is no significant environmental risk going forward also.

6.2 RISK FACTORS RELATED TO THE ISSUE

EXTERNAL RISK FACTORS

6.2.1 INTEREST RATE RISK/REINVESTMENT RISK

Increase in market interest rates and underlying inflation, may adversely affect the comparative return and/or the real (inflation adjusted) return for the investors. As a counter measure the Sukuk is a floating rate instrument that offers attractive margins over KIBOR. Since the returns for investors are linked to a benchmark, any increase in market interest rates or inflation may be reflected accordingly in returns for the investors.

6.2.2 PRICE RISK

The Sukuk will be listed on PSX and the Sukuk holders will be able to sell or buy the Sukuk through the TREC Holders of the Stock Exchange. Price of Sukuk will largely depend on the bond market behavior and interest rate regime. Hence price may rise or fall and result in increase or decrease in the value of Sukuk. Investors of KE Sukuk will be protected against change in market dynamics, as issue is linked to floating market benchmark.

6.2.3 LIQUIDITY RISK

By investing in the Sukuk the investor assumes the risk of not being able to sell the Sukuk without adversely affecting the price of the instrument. It is pertinent to note that the Sukuk are to be listed on PSX, which will act as provider of liquidity for the Sukuk during the life of the instrument by facilitating secondary market trades. Also, the Issuer has appointed a market maker for the Issue to ensure enough liquidity and tradability. Furthermore, the Sukuk offers a floating rate of return which may enable investors to sell the Sukuk in various interest rate scenarios.

6.2.4 CHANGES IN TAX REGIME

Any adverse change in the existing Tax regime for investment in Sukuk may affect the redemption and profit for the Sukuk investors.

6.2.5 RISK OF NON-COMPLIANCE WITH REGULATIONS OF SECP AND PSX

In the event of non-compliance with any regulatory requirements of SECP or PSX, the Sukuk Issue may be placed on the Defaulter Segment of PSX, which may potentially hamper trading in the Company's Sukuk leading up to potential suspension in trading as well.

INTERNAL RISK FACTORS

6.2.6 DEFAULT RISK

This risk is associated with the repayment capacity of the Company to service the Sukuk (Musharaka Investment) redemptions and profit payments. Also, there is a risk that there may be a timing mismatch between receipt of consumer collections and payment due dates of principal/profit payments. Further, since the Sukuk will be redeemed through 20 equal quarterly installments, payment risk is largely weighted on those repayment dates.

The Company has no history of credit default. Moreover, the Issue is devised to evenly spread the principal repayments during the Tenor which will lower the debt service burden/financial obligation on KE. This is ensured through twenty (20) equal quarterly principal repayments after the Grace Period.

The Issue is also secured through a collection mechanism, whereby all collections of HBL banking pool, which has a long proven history, will be routed and retained on a monthly basis in a specific Master Collection Account ("MCA") as per the instruction of the Sukuk Trustee. This payment security mechanism is instrumental in securing AA+ (Double A plus) rating for the Sukuk.

6.2.7 SHARIAH STRUCTURE RISK

The structure is based on rental payments from identified assets. Total loss of assets or partial loss that may impair the usability of the Sukuk assets will impact the ability of the issuer to pay rentals and/or redeem Sukuk.

Considering the above, insurance cover has been obtained for total and partial loss events and the return of the insurance (net-off Issuer's share) proceeds shall be distributed among the Investors.

DISCLAIMER:
IT IS STATED THAT ALL MATERIAL RISK FACTORS WITH RESPECT TO THIS ISSUE HAVE BEEN DISCLOSED TO THE BEST OF KNOWLEDGE AND BELIEF, AND THAT NOTHING HAS BEEN CONCEALED IN THIS RESPECT.

6.3 STATEMENT BY THE ISSUER

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

On behalf of K-Electric Limited (the "Company"), we hereby confirm that all material information as required under the Companies Act, 2017, the Securities Act, 2015, the Public Offering Regulations, 2017 and the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited has been disclosed in the Prospectus and that whatever is stated in the Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of **K-Electric Limited**

-sd-	-sd-
___________________	_________________
Syed Moonis Abdullah Alvi	**Muhammad Aamir Ghaziani**
Chief Executive Officer	Chief Financial Officer

6.4 STATEMENT BY THE CONSULTANT TO THE ISSUE

The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Being mandated as Consultant to the Issue to the Initial Public Offering of K Electric Limited Sukuk, we hereby confirm that all material information as required under the Companies Act, 2017, the Securities Act, 2015, the Public Offering Regulations, 2017 and the Listing of Companies and Securities Regulations of the Pakistan Stock Exchange Limited has been disclosed in the Prospectus and that whatever is stated in the Prospectus and the supporting documents is true and correct to the best of our knowledge and belief and that nothing has been concealed.

For and on behalf of **Arif Habib Limited**

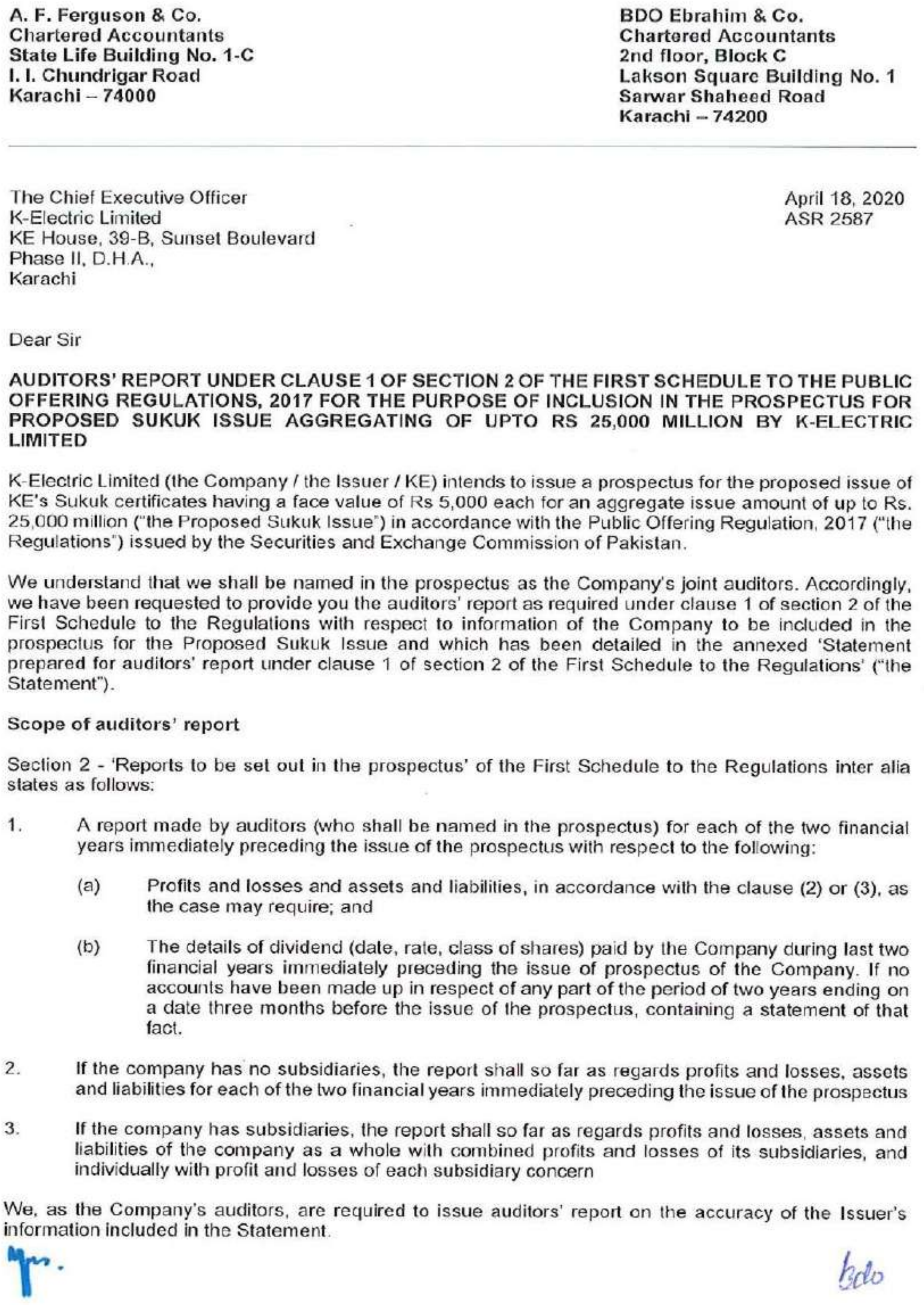
-sd-
____
Dabeer Hasan
Senior Associate
Investment Banking

-sd-
____
Ahmed Rajani
Director
Investment Banking

PART VII

7 FINANCIAL INFORMATION

7.1 AUDIT REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017 FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS



A. F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I. I. Chundrigar Road
Karachi – 74000

BDO Ebrahim & Co.
Chartered Accountants
2nd floor, Block C
Lakson Square Building No. 1
Sarwar Shaheed Road
Karachi – 74200

The Chief Executive Officer
K-Electric Limited
KE House, 39-B, Sunset Boulevard
Phase II, D.H.A.,
Karachi

April 18, 2020
ASR 2587

Dear Sir

AUDITORS' REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017 FOR THE PURPOSE OF INCLUSION IN THE PROSPECTUS FOR PROPOSED SUKUK ISSUE AGGREGATING OF UPTO RS 25,000 MILLION BY K-ELECTRIC LIMITED

K-Electric Limited (the Company / the Issuer / KE) intends to issue a prospectus for the proposed issue of KE's Sukuk certificates having a face value of Rs 5,000 each for an aggregate issue amount of up to Rs. 25,000 million ("the Proposed Sukuk Issue") in accordance with the Public Offering Regulation, 2017 ("the Regulations") issued by the Securities and Exchange Commission of Pakistan.

We understand that we shall be named in the prospectus as the Company's joint auditors. Accordingly, we have been requested to provide you the auditors' report as required under clause 1 of section 2 of the First Schedule to the Regulations with respect to information of the Company to be included in the prospectus for the Proposed Sukuk Issue and which has been detailed in the annexed 'Statement prepared for auditors' report under clause 1 of section 2 of the First Schedule to the Regulations' ("the Statement").

Scope of auditors' report

Section 2 - 'Reports to be set out in the prospectus' of the First Schedule to the Regulations inter alia states as follows:

1. A report made by auditors (who shall be named in the prospectus) for each of the two financial years immediately preceding the issue of the prospectus with respect to the following:
    (a) Profits and losses and assets and liabilities, in accordance with the clause (2) or (3), as the case may require; and
    (b) The details of dividend (date, rate, class of shares) paid by the Company during last two financial years immediately preceding the issue of prospectus of the Company. If no accounts have been made up in respect of any part of the period of two years ending on a date three months before the issue of the prospectus, containing a statement of that fact.
2. If the company has no subsidiaries, the report shall so far as regards profits and losses, assets and liabilities for each of the two financial years immediately preceding the issue of the prospectus
3. If the company has subsidiaries, the report shall so far as regards profits and losses, assets and liabilities of the company as a whole with combined profits and losses of its subsidiaries, and individually with profit and losses of each subsidiary concern

We, as the Company's auditors, are required to issue auditors' report on the accuracy of the Issuer's information included in the Statement.

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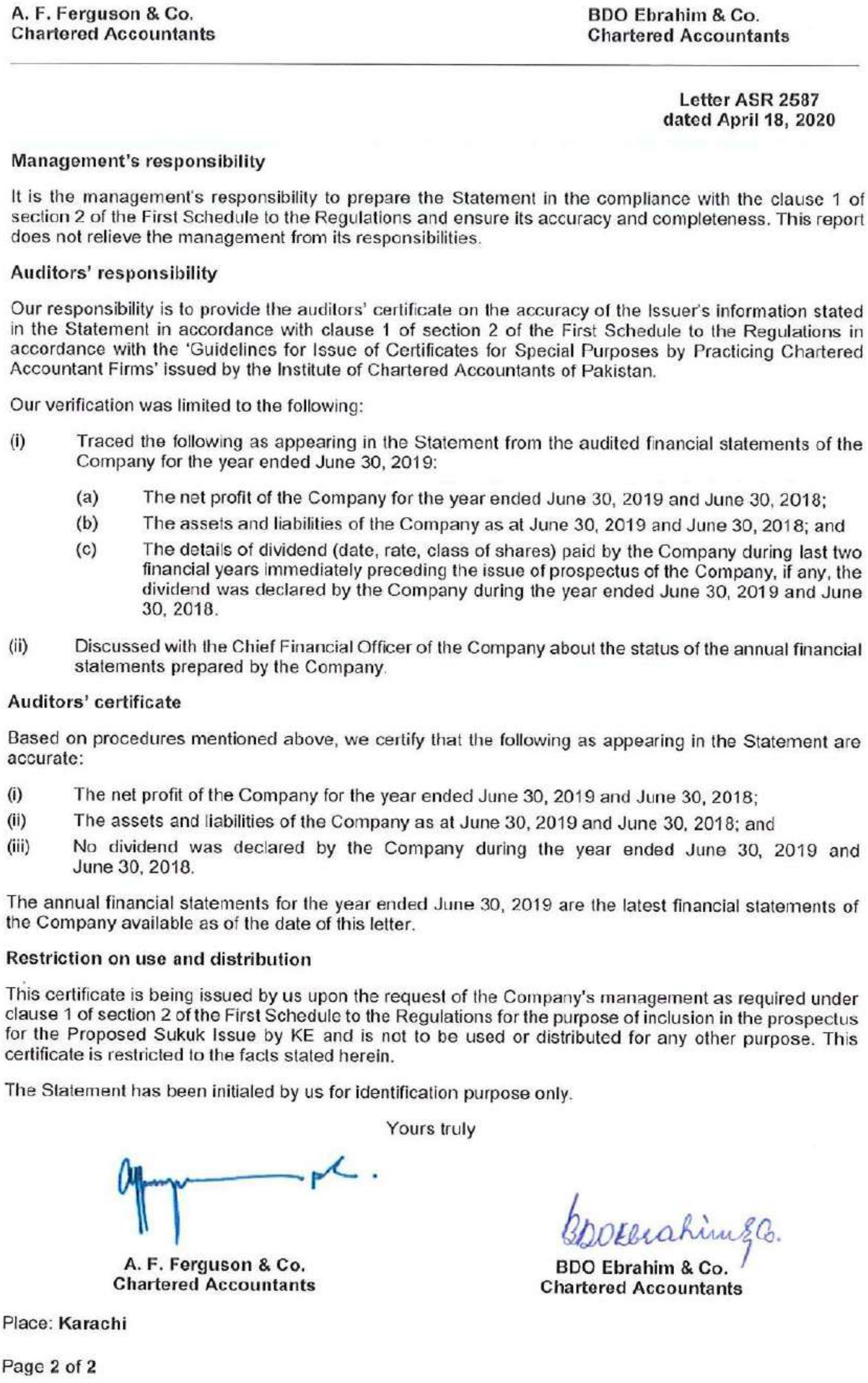

Letter ASR 2587
dated April 18, 2020

Management's responsibility

It is the management's responsibility to prepare the Statement in the compliance with the clause 1 of section 2 of the First Schedule to the Regulations and ensure its accuracy and completeness. This report does not relieve the management from its responsibilities.

Auditors' responsibility

Our responsibility is to provide the auditors' certificate on the accuracy of the Issuer's information stated in the Statement in accordance with clause 1 of section 2 of the First Schedule to the Regulations in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan.

Our verification was limited to the following:

(i) Traced the following as appearing in the Statement from the audited financial statements of the Company for the year ended June 30, 2019:

    (a) The net profit of the Company for the year ended June 30, 2019 and June 30, 2018;
    (b) The assets and liabilities of the Company as at June 30, 2019 and June 30, 2018; and
    (c) The details of dividend (date, rate, class of shares) paid by the Company during last two financial years immediately preceding the issue of prospectus of the Company, if any, the dividend was declared by the Company during the year ended June 30, 2019 and June 30, 2018.

(ii) Discussed with the Chief Financial Officer of the Company about the status of the annual financial statements prepared by the Company.

Auditors' certificate

Based on procedures mentioned above, we certify that the following as appearing in the Statement are accurate:

(i) The net profit of the Company for the year ended June 30, 2019 and June 30, 2018;
(ii) The assets and liabilities of the Company as at June 30, 2019 and June 30, 2018; and
(iii) No dividend was declared by the Company during the year ended June 30, 2019 and June 30, 2018.

The annual financial statements for the year ended June 30, 2019 are the latest financial statements of the Company available as of the date of this letter.

Restriction on use and distribution

This certificate is being issued by us upon the request of the Company's management as required under clause 1 of section 2 of the First Schedule to the Regulations for the purpose of inclusion in the prospectus for the Proposed Sukuk Issue by KE and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

The Statement has been initialed by us for identification purpose only.

Yours truly

A. F. Ferguson & Co.
Chartered Accountants

BDOEbrahim&Co.

BDO Ebrahim & Co.
Chartered Accountants

Place: **Karachi**

Page **2** of **2**

PROPOSED SUKUK ISSUE AGGREGATING OF UP TO RS 25,000 MILLION

STATEMENT PREPARED FOR AUDITORS' REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. K-Electric Limited ("the Company") has prepared its financial statements for the year ended June 30, 2019 in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable on the Company in Pakistan comprise of:

   - International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

   - Provisions of and directives issued under the Companies Act, 2017;

   - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

   Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2. The financial statements of the Company for the year ended June 30, 2019 have been made up within a period of three months before the issue of the prospectus.

3. The financial statements of the Company for the year ended June 30, 2019 have been audited by the joint auditors of the Company, i.e. M/s A. F. Ferguson & Co., Chartered Accountants and M/s BDO Ebrahim & Co., Chartered Accountants, whose report dated April 18, 2020 expressed an unmodified opinion on those financial statements.

4. No dividend was declared by the Company during the year ended June 30, 2019 or June 30, 2018.

5. The details about:

   - The net profit of the Company for the year ended June 30, 2019 and June 30, 2018; and

   - The assets and liabilities of the Company as at June 30, 2019 and June 30, 2018

   are set out as follows:

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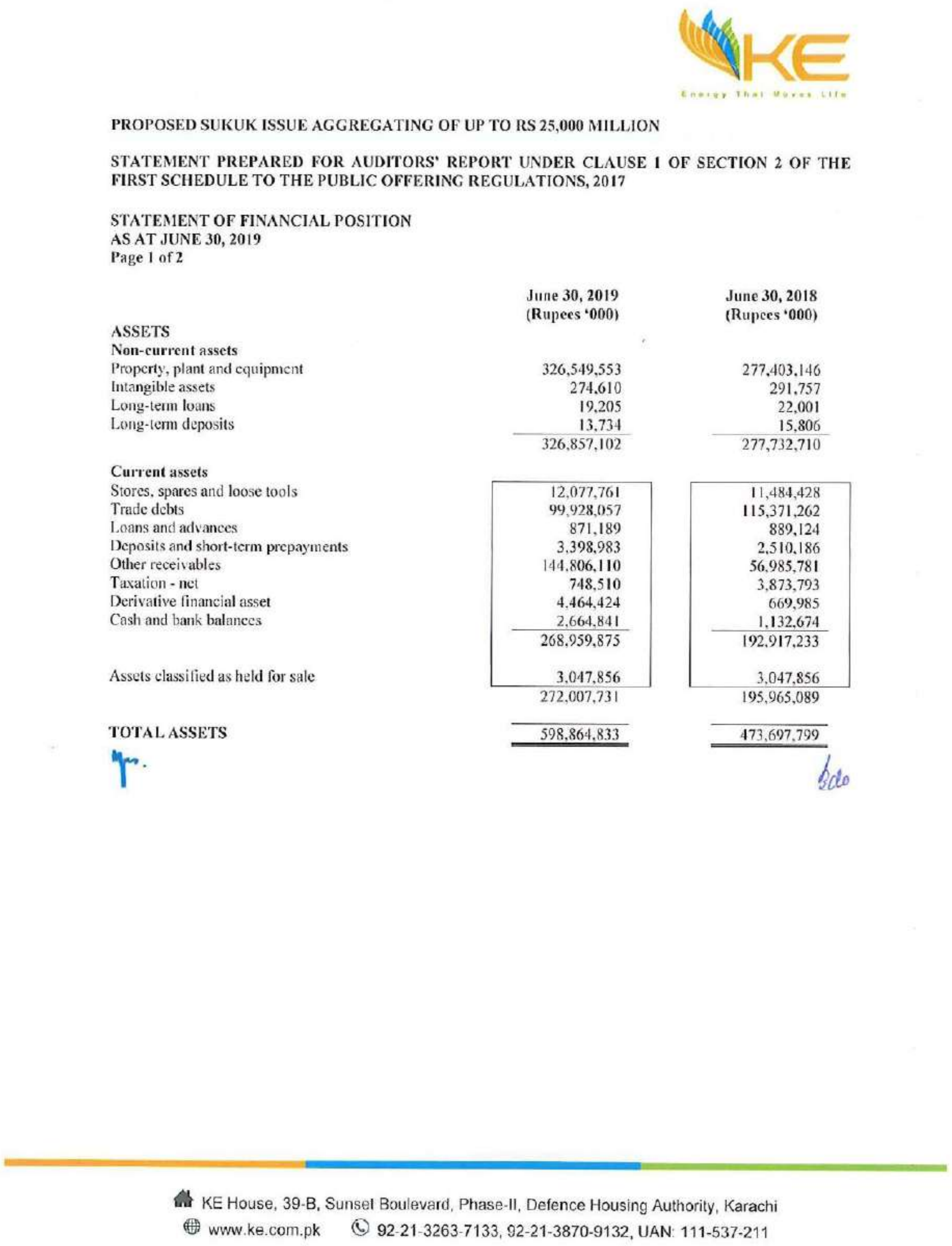

PROPOSED SUKUK ISSUE AGGREGATING OF UP TO RS 25,000 MILLION

STATEMENT PREPARED FOR AUDITORS' REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019
Page 1 of 2

	June 30, 2019 (Rupees '000)	June 30, 2018 (Rupees '000)
ASSETS		
Non-current assets		
Property, plant and equipment	326,549,553	277,403,146
Intangible assets	274,610	291,757
Long-term loans	19,205	22,001
Long-term deposits	13,734	15,806
	326,857,102	277,732,710
Current assets		
Stores, spares and loose tools	12,077,761	11,484,428
Trade debts	99,928,057	115,371,262
Loans and advances	871,189	889,124
Deposits and short-term prepayments	3,398,983	2,510,186
Other receivables	144,806,110	56,985,781
Taxation - net	748,510	3,873,793
Derivative financial asset	4,464,424	669,985
Cash and bank balances	2,664,841	1,132,674
	268,959,875	192,917,233
Assets classified as held for sale	3,047,856	3,047,856
	272,007,731	195,965,089
TOTAL ASSETS	598,864,833	473,697,799

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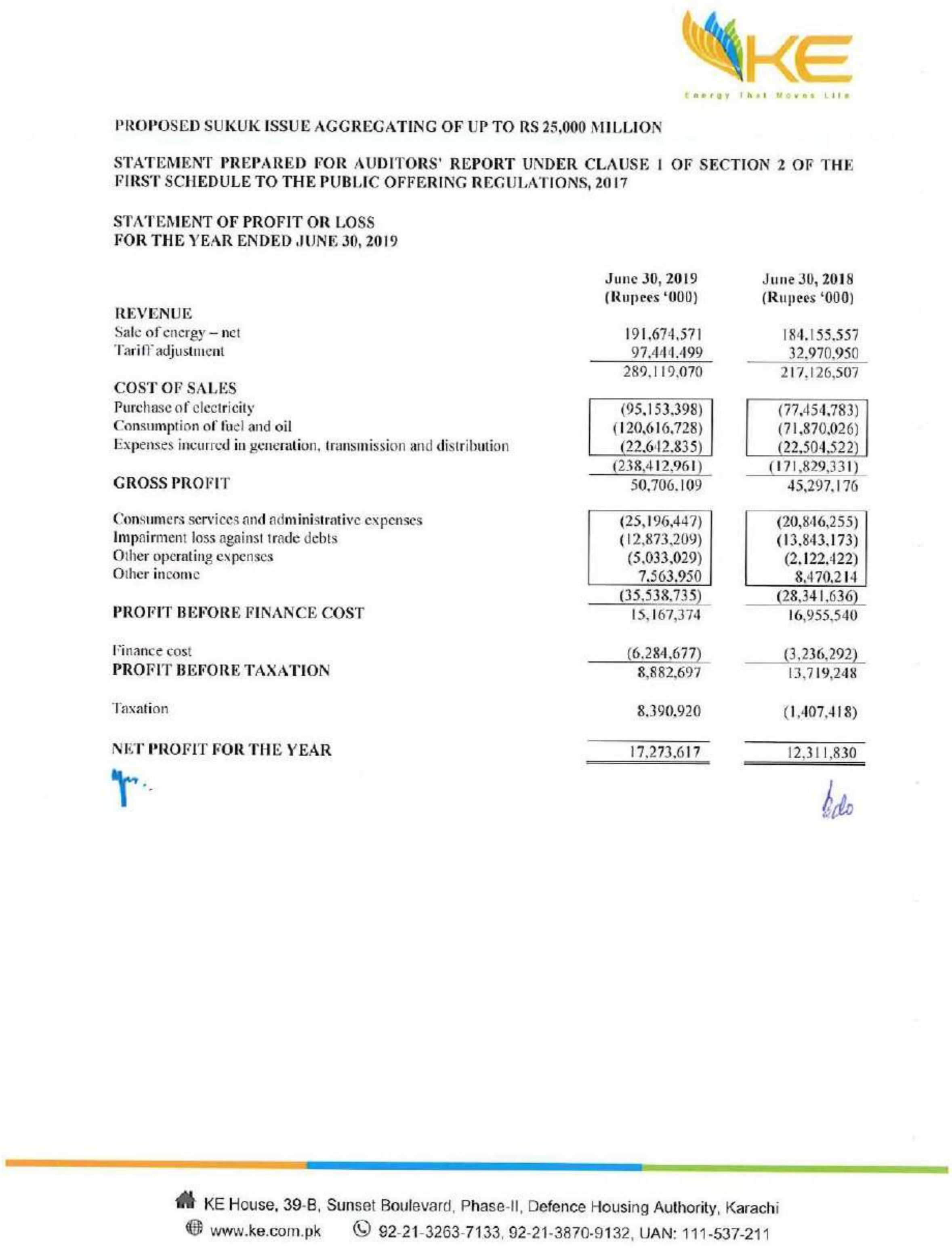
PROPOSED SUKUK ISSUE AGGREGATING OF UP TO RS 25,000 MILLION

STATEMENT PREPARED FOR AUDITORS' REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017

STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019
Page 2 of 2

	June 30, 2019 (Rupees '000)	June 30, 2018 (Rupees '000)
EQUITY AND LIABILITIES		
Share capital and reserves		
Issued, subscribed and paid up capital	96,261,551	96,261,551
Reserves		
Capital reserves		
Share premium and other reserves	2,009,172	2,009,172
Surplus on revaluation of property, plant and equipment	65,880,437	54,087,395
	67,889,609	56,096,567
Revenue reserves		
General reserves	5,372,356	5,372,356
Unappropriated profit	44,965,946	49,562,564
	50,338,302	54,934,920
	118,227,911	111,031,487
TOTAL EQUITY	214,489,462	207,293,038
LIABILITIES		
Non-current liabilities		
Long-term diminishing musharaka	8,687,165	13,005,681
Long-term financing	41,227,153	11,896,987
Long-term deposits	10,808,331	9,718,749
Employee retirement benefits	5,094,674	4,441,177
Deferred revenue	23,209,643	21,387,917
Deferred taxation	-	-
	89,026,966	60,450,511
Current liabilities		
Current maturity of long-term diminishing musharaka	4,400,000	4,400,000
Current maturity of long-term financing	3,274,552	2,184,620
Trade and other payables	190,794,648	140,458,457
Unclaimed dividend	645	645
Accrued mark-up	7,527,712	6,369,631
Short-term borrowings	71,921,721	41,317,360
Short-term deposits	17,407,727	11,177,087
Provision	21,400	46,450
	295,348,405	205,954,250
TOTAL LIABILITIES	384,375,371	266,404,761
TOTAL EQUITY AND LIABILITIES	598,864,833	473,697,799



PROPOSED SUKUK ISSUE AGGREGATING OF UP TO RS 25,000 MILLION

STATEMENT PREPARED FOR AUDITORS' REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019 (Rupees '000)	June 30, 2018 (Rupees '000)
REVENUE		
Sale of energy – net	191,674,571	184,155,557
Tariff adjustment	97,444,499	32,970,950
	289,119,070	217,126,507
COST OF SALES		
Purchase of electricity	(95,153,398)	(77,454,783)
Consumption of fuel and oil	(120,616,728)	(71,870,026)
Expenses incurred in generation, transmission and distribution	(22,642,835)	(22,504,522)
	(238,412,961)	(171,829,331)
GROSS PROFIT	50,706,109	45,297,176
Consumers services and administrative expenses	(25,196,447)	(20,846,255)
Impairment loss against trade debts	(12,873,209)	(13,843,173)
Other operating expenses	(5,033,029)	(2,122,422)
Other income	7,563,950	8,470,214
	(35,538,735)	(28,341,636)
PROFIT BEFORE FINANCE COST	15,167,374	16,955,540
Finance cost	(6,284,677)	(3,236,292)
PROFIT BEFORE TAXATION	8,882,697	13,719,248
Taxation	8,390,920	(1,407,418)
NET PROFIT FOR THE YEAR	17,273,617	12,311,830

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PROPOSED SUKUK ISSUE AGGREGATING OF UP TO RS 25,000 MILLION

STATEMENT PREPARED FOR AUDITORS' REPORT UNDER CLAUSE 1 OF SECTION 2 OF THE FIRST SCHEDULE TO THE PUBLIC OFFERING REGULATIONS, 2017

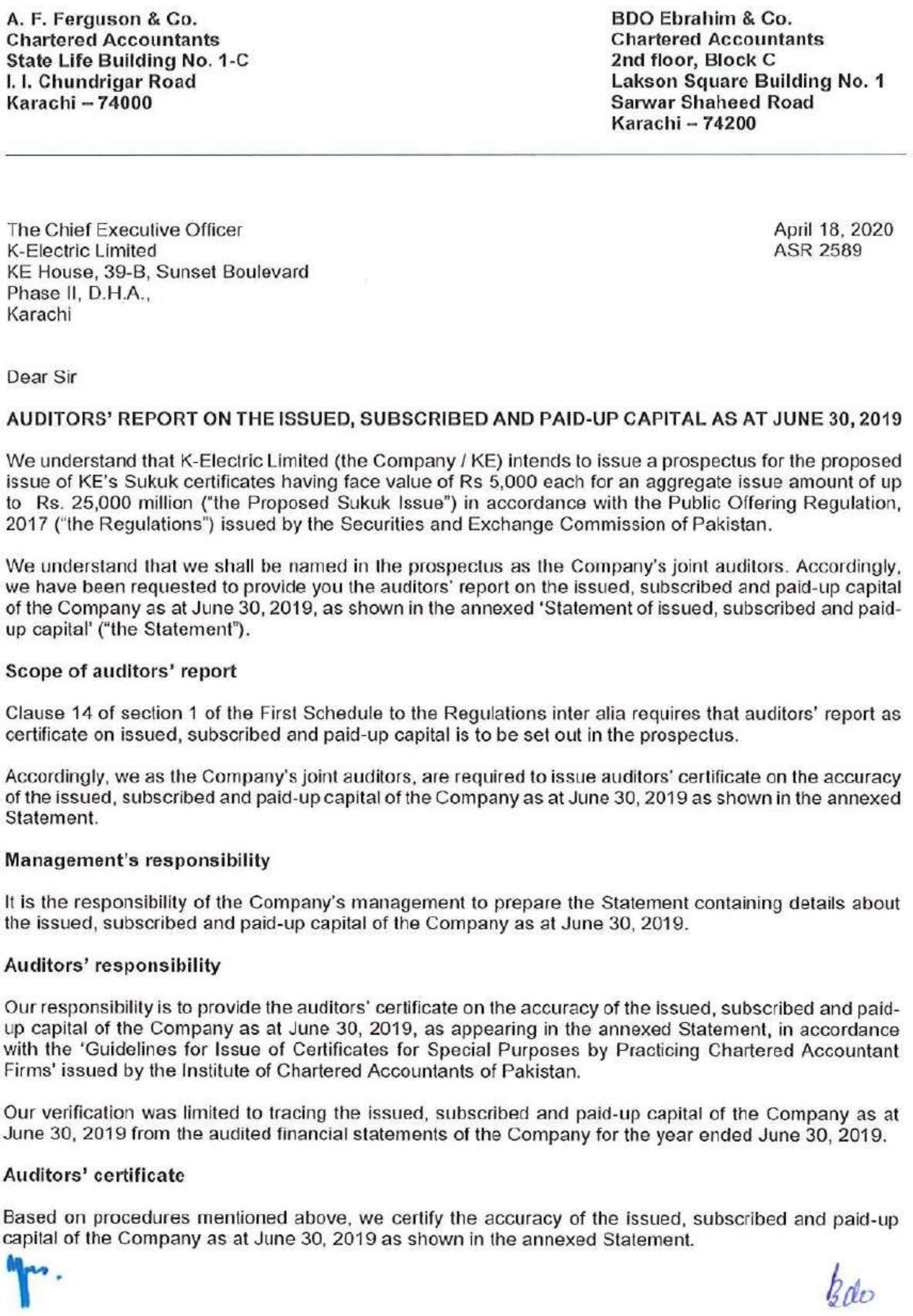
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019 (Rupees '000)	**June 30, 2018 (Rupees '000)**
Net profit for the year	17,273,617	12,311,830
Other comprehensive income:		
Items that may be reclassified to profit or loss		
Changes in fair value of cash flow hedges	3,794,440	704,443
Adjustment for amounts transferred to profit or loss	(3,794,440)	(704,443)
	-	-
Items that will not be reclassified to profit or loss		
Remeasurement of post employee benefit obligations	(336,895)	(297,330)
Less: Taxation thereon	97,699	86,226
	(239,196)	(211,104)
Revaluation surplus arising during the year	25,808,951	11,031,946
Less: Taxation thereon	(7,484,596)	(3,309,584)
	18,324,355	7,722,362
Add: Effect of change in tax rate	(2,425,949)	3,153,634
	15,898,406	10,875,996
	15,659,210	10,664,892
Total comprehensive income for the year	32,932,827	22,976,722

FOR AND ON BEHALF OF
K-ELECTRIC LIMITED

CHIEF FINANCIAL OFFICER
DATE: APRIL 18, 2020

7.2 AUDITOR CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP CAPITAL OF THE COMPANY



A. F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I. I. Chundrigar Road
Karachi – 74000

BDO Ebrahim & Co.
Chartered Accountants
2nd floor, Block C
Lakson Square Building No. 1
Sarwar Shaheed Road
Karachi – 74200

The Chief Executive Officer
K-Electric Limited
KE House, 39-B, Sunset Boulevard
Phase II, D.H.A.,
Karachi

April 18, 2020
ASR 2589

Dear Sir

AUDITORS' REPORT ON THE ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AS AT JUNE 30, 2019

We understand that K-Electric Limited (the Company / KE) intends to issue a prospectus for the proposed issue of KE's Sukuk certificates having face value of Rs 5,000 each for an aggregate issue amount of up to Rs. 25,000 million ("the Proposed Sukuk Issue") in accordance with the Public Offering Regulation, 2017 ("the Regulations") issued by the Securities and Exchange Commission of Pakistan.

We understand that we shall be named in the prospectus as the Company's joint auditors. Accordingly, we have been requested to provide you the auditors' report on the issued, subscribed and paid-up capital of the Company as at June 30, 2019, as shown in the annexed 'Statement of issued, subscribed and paid-up capital' ("the Statement").

Scope of auditors' report

Clause 14 of section 1 of the First Schedule to the Regulations inter alia requires that auditors' report as certificate on issued, subscribed and paid-up capital is to be set out in the prospectus.

Accordingly, we as the Company's joint auditors, are required to issue auditors' certificate on the accuracy of the issued, subscribed and paid-up capital of the Company as at June 30, 2019 as shown in the annexed Statement.

Management's responsibility

It is the responsibility of the Company's management to prepare the Statement containing details about the issued, subscribed and paid-up capital of the Company as at June 30, 2019.

Auditors' responsibility

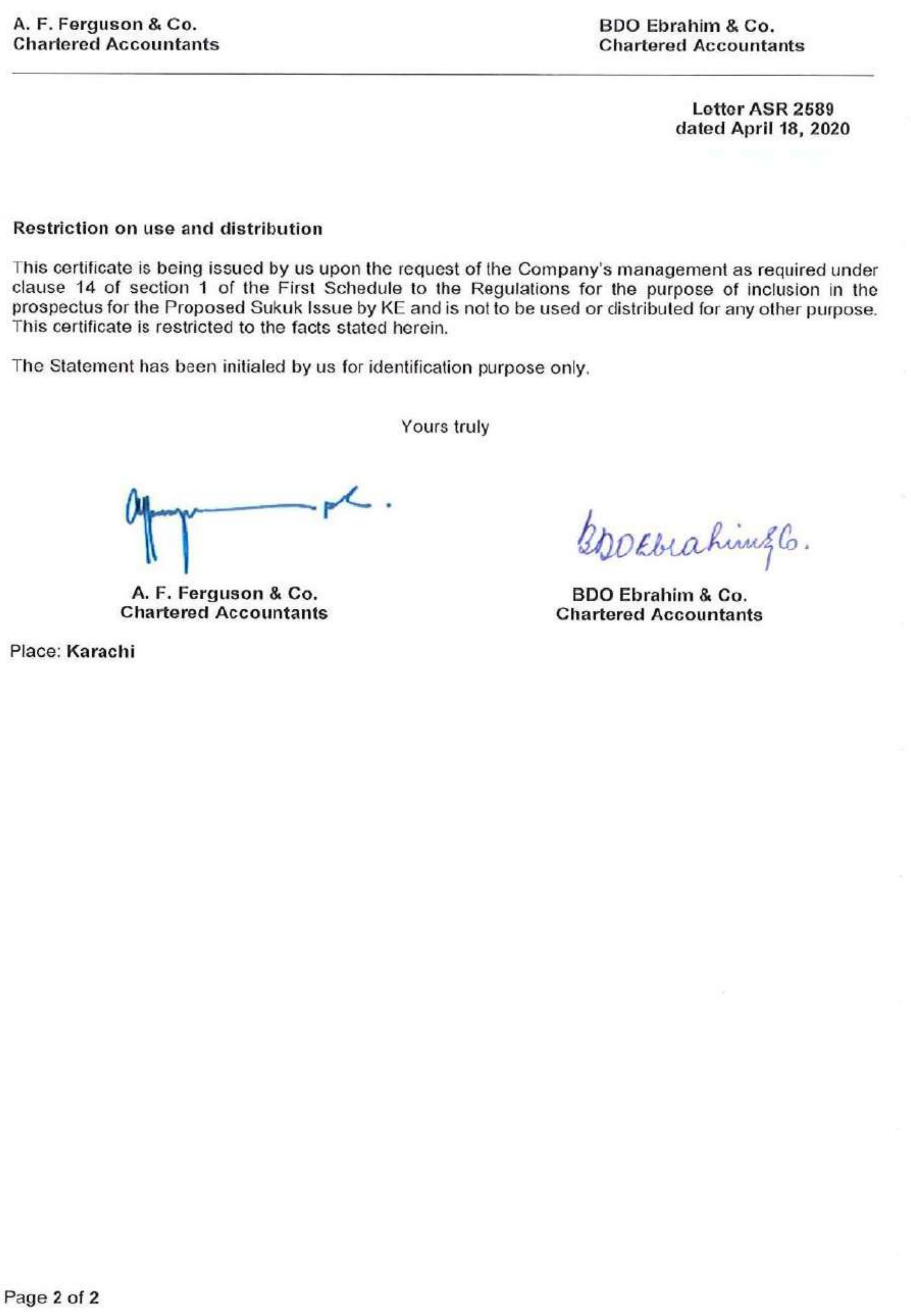
Our responsibility is to provide the auditors' certificate on the accuracy of the issued, subscribed and paid-up capital of the Company as at June 30, 2019, as appearing in the annexed Statement, in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the Institute of Chartered Accountants of Pakistan.

Our verification was limited to tracing the issued, subscribed and paid-up capital of the Company as at June 30, 2019 from the audited financial statements of the Company for the year ended June 30, 2019.

Auditors' certificate

Based on procedures mentioned above, we certify the accuracy of the issued, subscribed and paid-up capital of the Company as at June 30, 2019 as shown in the annexed Statement.

bdo



A. F. Ferguson & Co.
Chartered Accountants

BDO Ebrahim & Co.
Chartered Accountants

Letter ASR 2589
dated April 18, 2020

Restriction on use and distribution

This certificate is being issued by us upon the request of the Company's management as required under clause 14 of section 1 of the First Schedule to the Regulations for the purpose of inclusion in the prospectus for the Proposed Sukuk Issue by KE and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

The Statement has been initialed by us for identification purpose only.

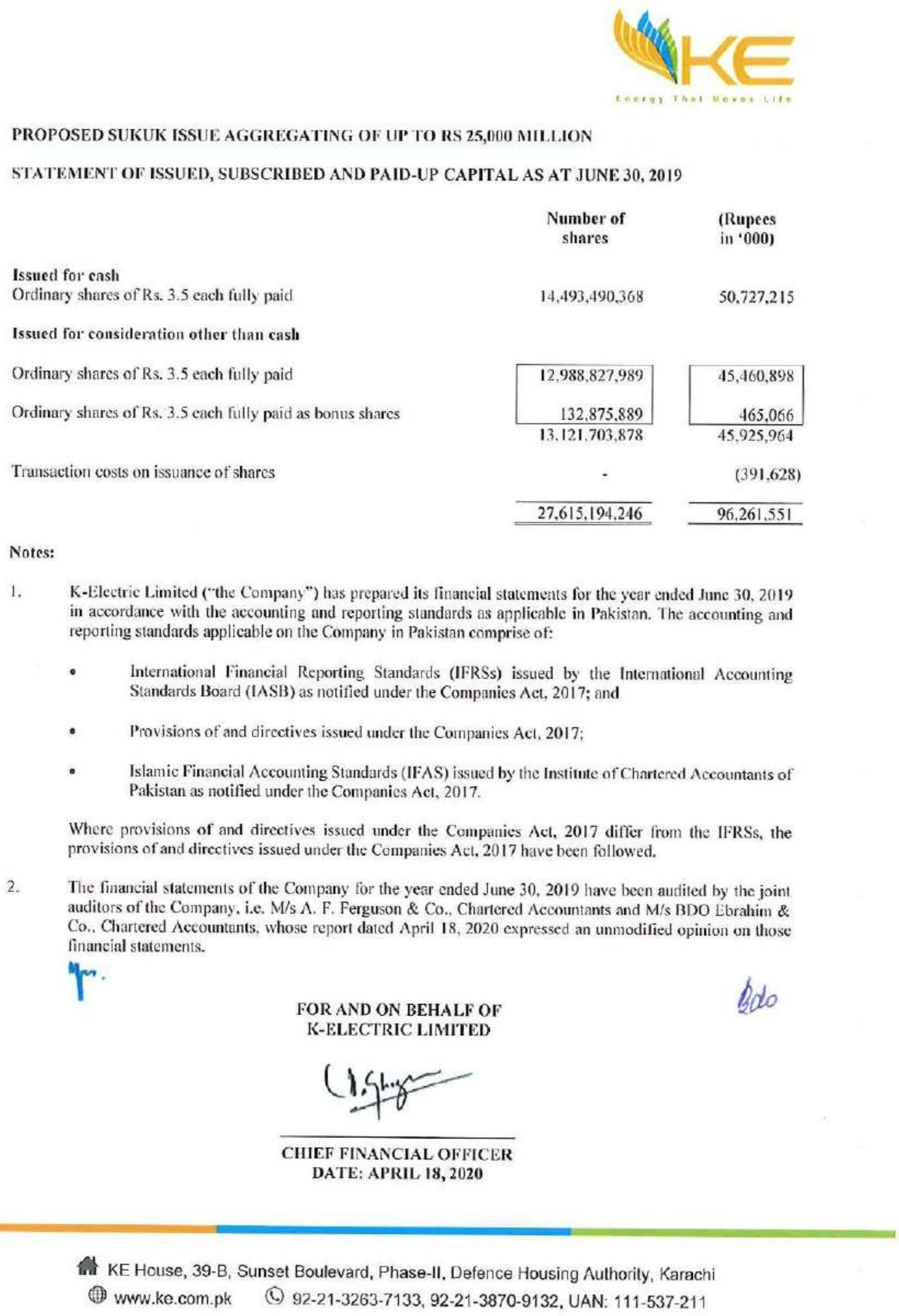
Yours truly

BDO Ebrahim & Co.

A. F. Ferguson & Co.
Chartered Accountants

BDO Ebrahim & Co.
Chartered Accountants

Place: **Karachi**



PROPOSED SUKUK ISSUE AGGREGATING OF UP TO RS 25,000 MILLION

STATEMENT OF ISSUED, SUBSCRIBED AND PAID-UP CAPITAL AS AT JUNE 30, 2019

	Number of shares	(Rupees in '000)
Issued for cash		
Ordinary shares of Rs. 3.5 each fully paid	14,493,490,368	50,727,215
Issued for consideration other than cash		
Ordinary shares of Rs. 3.5 each fully paid	12,988,827,989	45,460,898
Ordinary shares of Rs. 3.5 each fully paid as bonus shares	132,875,889	465,066
	13,121,703,878	45,925,964
Transaction costs on issuance of shares	-	(391,628)
	27,615,194,246	96,261,551

Notes:

1. K-Electric Limited ("the Company") has prepared its financial statements for the year ended June 30, 2019 in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable on the Company in Pakistan comprise of:

   - International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
   - Provisions of and directives issued under the Companies Act, 2017;
   - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

   Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

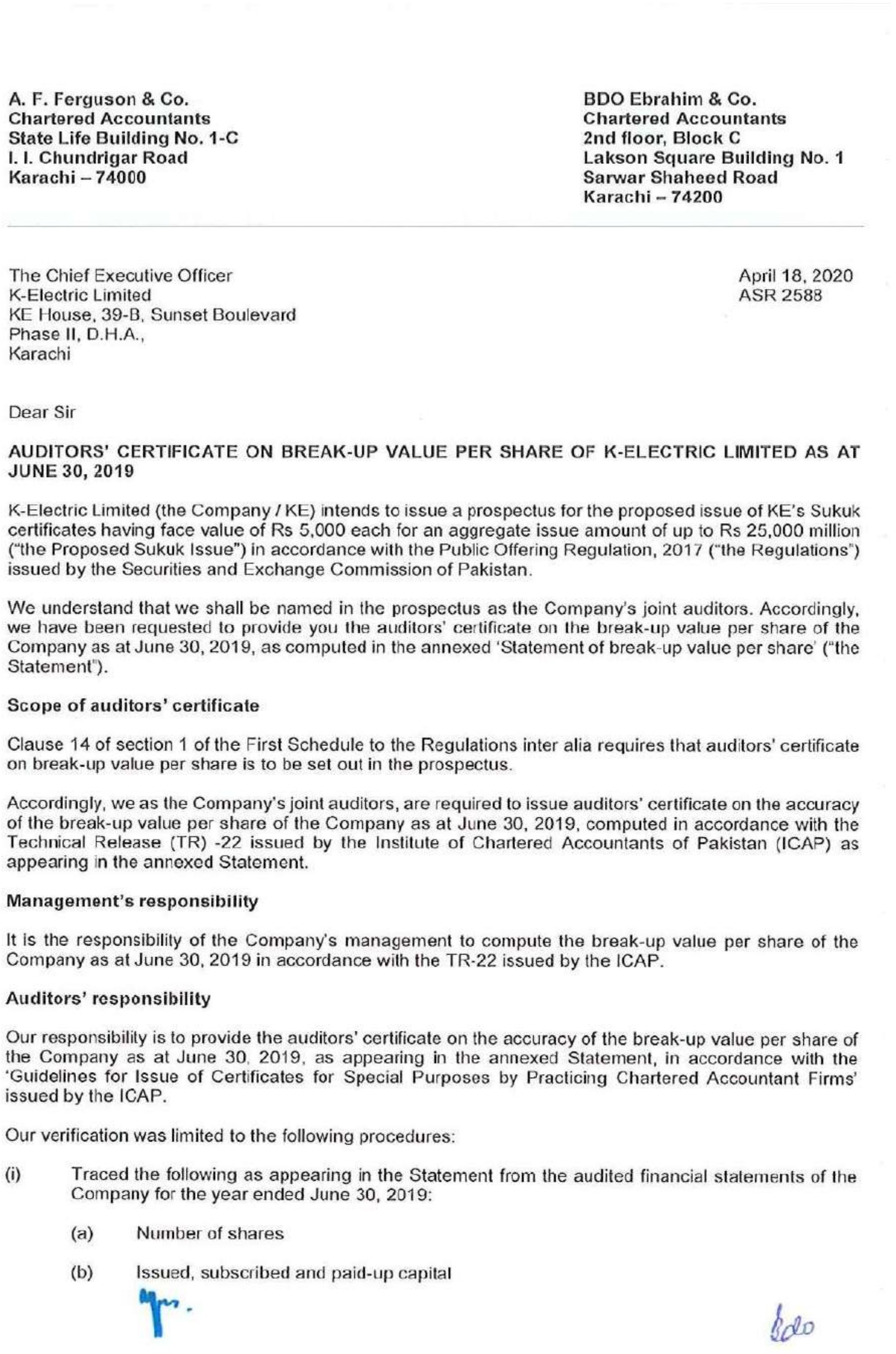
2. The financial statements of the Company for the year ended June 30, 2019 have been audited by the joint auditors of the Company, i.e. M/s A. F. Ferguson & Co., Chartered Accountants and M/s BDO Ebrahim & Co., Chartered Accountants, whose report dated April 18, 2020 expressed an unmodified opinion on those financial statements.

FOR AND ON BEHALF OF
K-ELECTRIC LIMITED

CHIEF FINANCIAL OFFICER
DATE: APRIL 18, 2020

KE House, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi
www.ke.com.pk 92-21-3263-7133, 92-21-3870-9132, UAN: 111-537-211

7.3 AUDITOR'S CERTIFICATE ON BREAK-UP VALUE PER SHARE



A. F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
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Karachi – 74000

BDO Ebrahim & Co.
Chartered Accountants
2nd floor, Block C
Lakson Square Building No. 1
Sarwar Shaheed Road
Karachi – 74200

The Chief Executive Officer
K-Electric Limited
KE House, 39-B, Sunset Boulevard
Phase II, D.H.A.,
Karachi

April 18, 2020
ASR 2588

Dear Sir

AUDITORS' CERTIFICATE ON BREAK-UP VALUE PER SHARE OF K-ELECTRIC LIMITED AS AT JUNE 30, 2019

K-Electric Limited (the Company / KE) intends to issue a prospectus for the proposed issue of KE's Sukuk certificates having face value of Rs 5,000 each for an aggregate issue amount of up to Rs 25,000 million ("the Proposed Sukuk Issue") in accordance with the Public Offering Regulation, 2017 ("the Regulations") issued by the Securities and Exchange Commission of Pakistan.

We understand that we shall be named in the prospectus as the Company's joint auditors. Accordingly, we have been requested to provide you the auditors' certificate on the break-up value per share of the Company as at June 30, 2019, as computed in the annexed 'Statement of break-up value per share' ("the Statement").

Scope of auditors' certificate

Clause 14 of section 1 of the First Schedule to the Regulations inter alia requires that auditors' certificate on break-up value per share is to be set out in the prospectus.

Accordingly, we as the Company's joint auditors, are required to issue auditors' certificate on the accuracy of the break-up value per share of the Company as at June 30, 2019, computed in accordance with the Technical Release (TR) -22 issued by the Institute of Chartered Accountants of Pakistan (ICAP) as appearing in the annexed Statement.

Management's responsibility

It is the responsibility of the Company's management to compute the break-up value per share of the Company as at June 30, 2019 in accordance with the TR-22 issued by the ICAP.

Auditors' responsibility

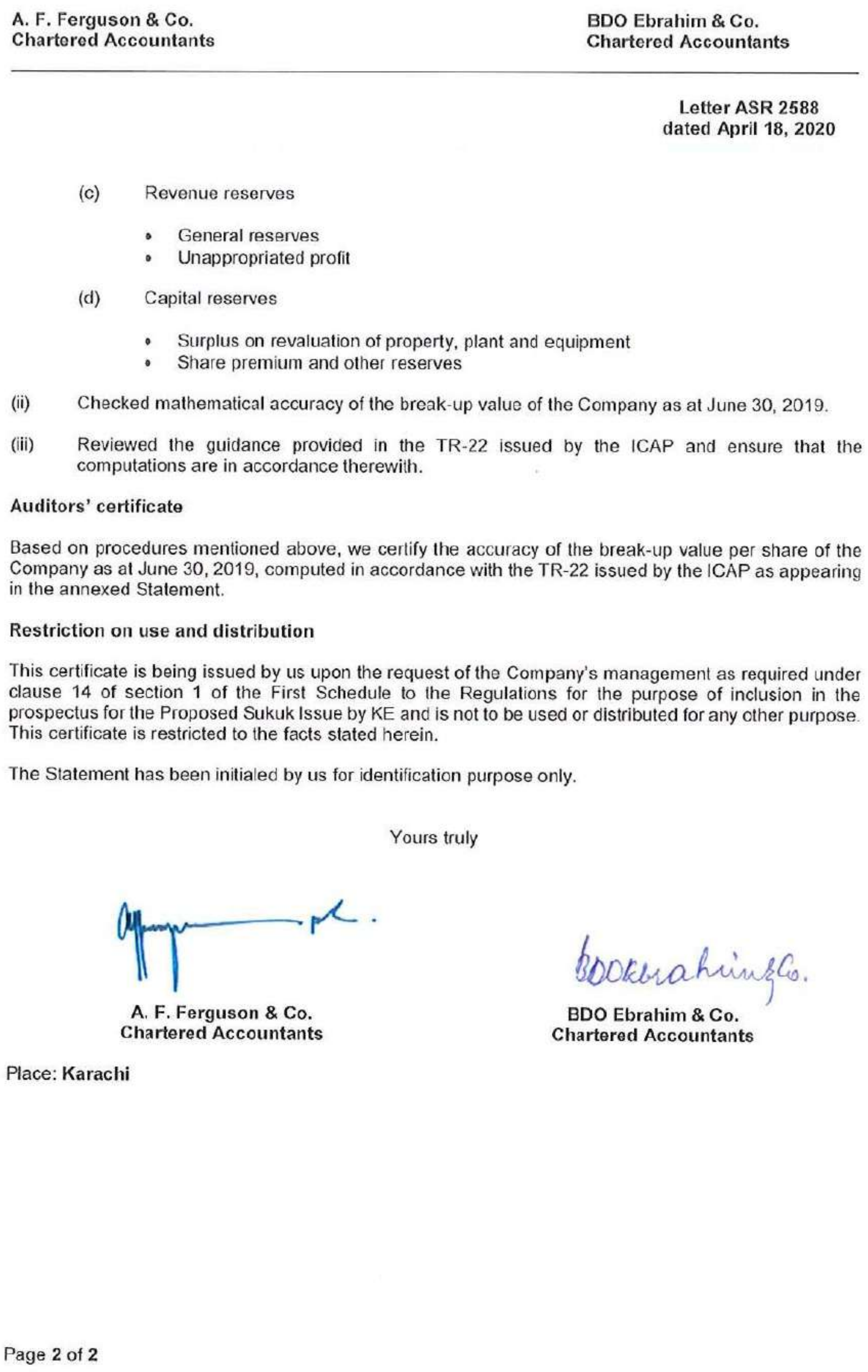
Our responsibility is to provide the auditors' certificate on the accuracy of the break-up value per share of the Company as at June 30, 2019, as appearing in the annexed Statement, in accordance with the 'Guidelines for Issue of Certificates for Special Purposes by Practicing Chartered Accountant Firms' issued by the ICAP.

Our verification was limited to the following procedures:

(i) Traced the following as appearing in the Statement from the audited financial statements of the Company for the year ended June 30, 2019:

    (a) Number of shares

    (b) Issued, subscribed and paid-up capital



Letter ASR 2588
dated April 18, 2020

(c) Revenue reserves

- General reserves
- Unappropriated profit

(d) Capital reserves

- Surplus on revaluation of property, plant and equipment
- Share premium and other reserves

(ii) Checked mathematical accuracy of the break-up value of the Company as at June 30, 2019.

(iii) Reviewed the guidance provided in the TR-22 issued by the ICAP and ensure that the computations are in accordance therewith.

Auditors' certificate

Based on procedures mentioned above, we certify the accuracy of the break-up value per share of the Company as at June 30, 2019, computed in accordance with the TR-22 issued by the ICAP as appearing in the annexed Statement.

Restriction on use and distribution

This certificate is being issued by us upon the request of the Company's management as required under clause 14 of section 1 of the First Schedule to the Regulations for the purpose of inclusion in the prospectus for the Proposed Sukuk Issue by KE and is not to be used or distributed for any other purpose. This certificate is restricted to the facts stated herein.

The Statement has been initialed by us for identification purpose only.

Yours truly

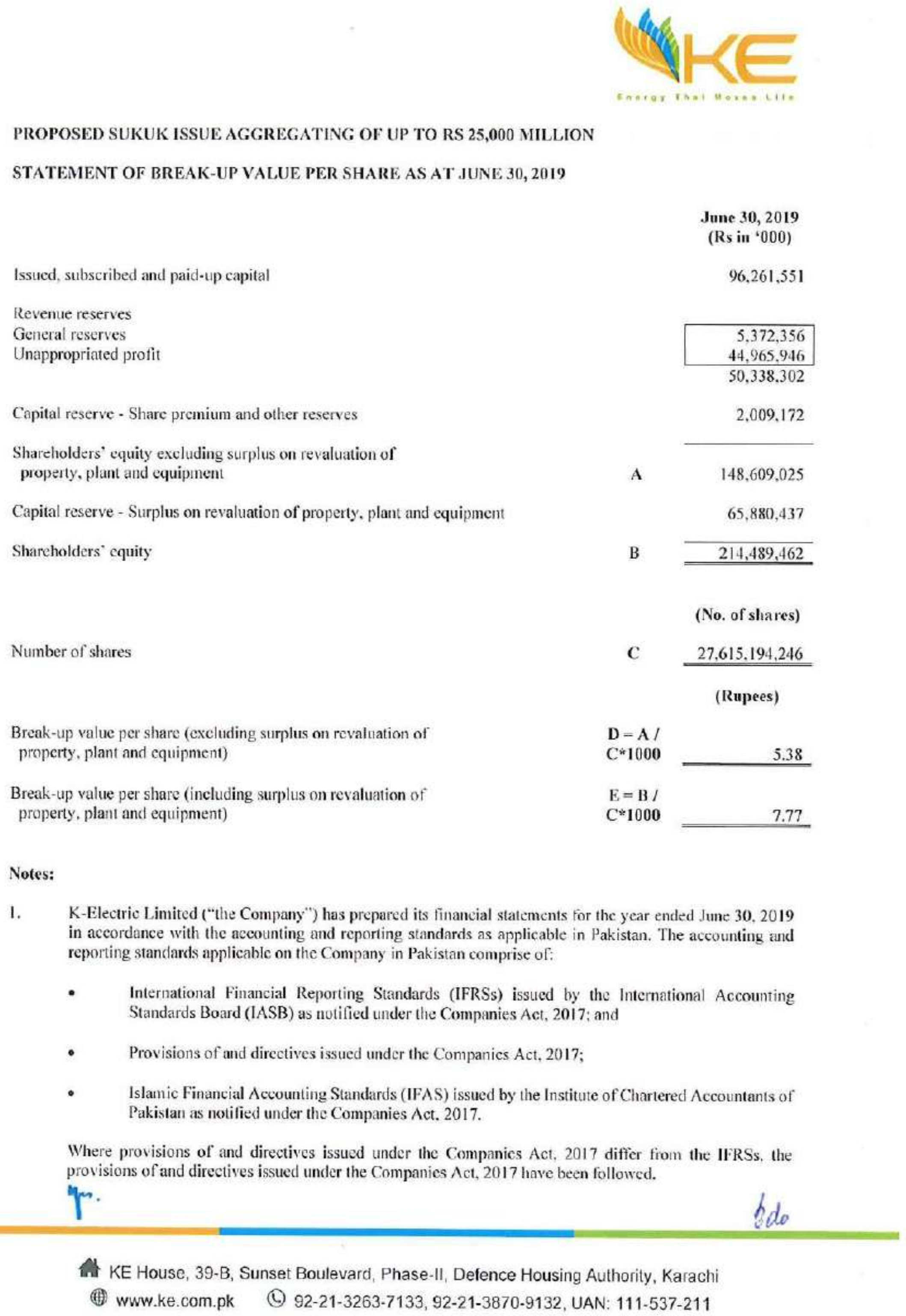
BDO Ebrahim & Co.

A. F. Ferguson & Co.
Chartered Accountants

BDO Ebrahim & Co.
Chartered Accountants

Place: **Karachi**

Page **2** of **2**



PROPOSED SUKUK ISSUE AGGREGATING OF UP TO RS 25,000 MILLION

STATEMENT OF BREAK-UP VALUE PER SHARE AS AT JUNE 30, 2019

		June 30, 2019 (Rs in '000)
Issued, subscribed and paid-up capital		96,261,551
Revenue reserves		
General reserves		5,372,356
Unappropriated profit		44,965,946
		50,338,302
Capital reserve - Share premium and other reserves		2,009,172
Shareholders' equity excluding surplus on revaluation of property, plant and equipment	A	148,609,025
Capital reserve - Surplus on revaluation of property, plant and equipment		65,880,437
Shareholders' equity	B	214,489,462
		(No. of shares)
Number of shares	C	27,615,194,246
		(Rupees)
Break-up value per share (excluding surplus on revaluation of property, plant and equipment)	D = A / C*1000	5.38
Break-up value per share (including surplus on revaluation of property, plant and equipment)	E = B / C*1000	7.77

Notes:

1. K-Electric Limited ("the Company") has prepared its financial statements for the year ended June 30, 2019 in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable on the Company in Pakistan comprise of:

   - International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
   - Provisions of and directives issued under the Companies Act, 2017;
   - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017.

   Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

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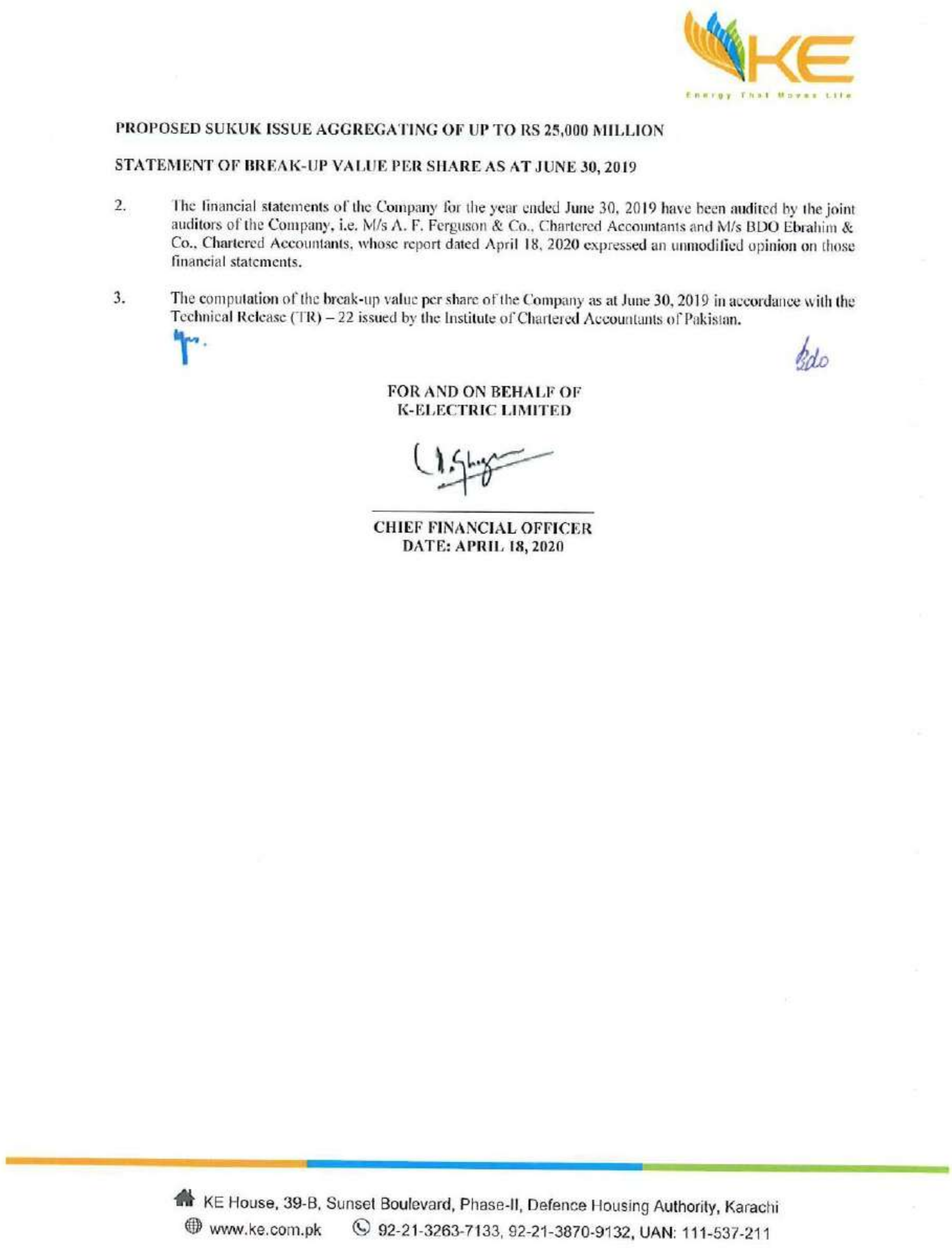

PROPOSED SUKUK ISSUE AGGREGATING OF UP TO RS 25,000 MILLION

STATEMENT OF BREAK-UP VALUE PER SHARE AS AT JUNE 30, 2019

2. The financial statements of the Company for the year ended June 30, 2019 have been audited by the joint auditors of the Company, i.e. M/s A. F. Ferguson & Co., Chartered Accountants and M/s BDO Ebrahim & Co., Chartered Accountants, whose report dated April 18, 2020 expressed an unmodified opinion on those financial statements.

3. The computation of the break-up value per share of the Company as at June 30, 2019 in accordance with the Technical Release (TR) – 22 issued by the Institute of Chartered Accountants of Pakistan.

bdo

FOR AND ON BEHALF OF
K-ELECTRIC LIMITED

CHIEF FINANCIAL OFFICER
DATE: APRIL 18, 2020

KE House, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi
www.ke.com.pk ✆ 92-21-3263-7133, 92-21-3870-9132, UAN: 111-537-211

7.4 SUMMARY OF FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS			
Audited (PKR in Millions)	**FY-17**	**FY-18**	**FY-19**
Income Statement			
Revenue	183,855	217,127	289,119
Cost of Sales	(144,334)	(171,829)	(238,413)
Gross Profit	39,521	45,297	50,706
Operating Expenses	(36,599)	(36,812)	(43,103)
Other Income	9,399	8,470	7,564
Operating Profit	12,321	16,956	15,167
Financial Charges	(3,609)	(3,236)	(6,285)
Profit/(Loss) before Taxation	8,712	13,719	8,883
Taxation	1,708	(1,407)	8,391
Profit/(Loss) after Taxation	10,419	12,312	17,274
EBITDA	25,818	32,422	31,236
Depreciation and Amortization	13,497	15,467	16,068
Balance Sheet			
Non-Current Assets	237,981	277,733	326,857
Current Assets	157,962	195,965	272,008
Total Assets	395,943	473,698	598,865
Equity	136,711	153,206	148,609
Surplus on revaluation of fixed assets	47,605	54,087	65,880
Total Equity	184,316	207,293	214,490
Long-Term Debt	20,147	24,903	49,914
Accrued Markup	5,809	6,370	7,528
Current Portion of non-current liabilities	8,834	6,585	7,675
Short-Term Borrowings	20,424	41,317	71,922
Non-Current Liabilities	53,822	60,451	89,027
Current Liabilities	157,805	205,954	295,348
Stock, spares and tools	9,439	11,484	12,078
Trade Debts	103,420	115,371	99,928
Trade and other Payables	117,067	140,458	190,795
Fixed Assets	237,731	277,403	326,550
Short-Term Investments	-	-	-

Cash Flow Statement			
Cash Flow from Operating Activities	27,836	19,335	(16,884)
Cash Flow from Investing Activities	(19,593)	(43,726)	(33,842)
Cash Flow from Financing Activities	(11,849)	6,040	52,012
Net Increase in Cash and Cash Equivalents	(3,606)	(18,351)	1,285
Cash and Cash Equivalents at the Beginning of the Year	(4,815)	(8,421)	(26,772)
Cash and Cash Equivalents at the End of the Year	(8,421)	(26,772)	(25,487)
Capex	23,767	44,614	35,574

Growth			
Sales Growth (%)	-2.5%	18.1%	33.2%
EBITDA Growth (%)	-40.0%	25.6%	-3.7%
Profit after Taxation Growth (%)	-67.2%	18.2%	40.3%

Margins			
Gross Profit Margin (%)	21.5%	20.9%	17.5%
Net Profit Margin (%)	5.7%	5.7%	6.0%
EBITDA Margin (%)	14.0%	14.9%	10.8%
Profit before Taxation Margin (%)	4.7%	6.3%	3.1%

Earnings Ratios			
Earnings per Share	0.38	0.45	0.63
Break-up Value per Share without Revaluation Surplus	4.95	5.55	5.38
Break-up Value per Share with Revaluation Surplus	6.67	7.51	7.77
Return on Equity Including Surplus (%)	5.7%	5.9%	8.1%
Return on Equity Excluding Surplus (%)	7.6%	8.0%	11.6%
Return on Total Assets (%)	2.6%	2.6%	2.9%

Balance Sheet Ratios			
Fixed Asset Turnover (x)	0.77x	0.78x	0.88x
Asset Turnover (x)	0.46x	0.46x	0.48x
Capex to Total Assets (%)	6.0%	9.4%	5.9%
Current Ratio (x)	1.00x	0.95x	0.92x
Inventory Turnover (days)	24	24	18
Receivables Turnover (days)	205	194	126
Payables Turnover (days)	296	298	292

Leverage Ratios			
Total Debt to Equity (x)	0.27x	0.35x	0.60x

EBITDA/Interest (x)	7.15x	10.02x	4.97x
(EBITDA - Capex)	2,051	(12,192)	(4,338)
(EBITDA - Capex)/Interest (x)	0.57x	-3.77x	-0.69x
Number of Shares Outstanding	**27,615**	**27,615**	**27,615**

7.5 SUMMARY OF MAJOR ITEMS OF REVENUE AND EXPENDITURE

MAJOR REVENUE ITEMS			
Audited (PKR in Millions)	**FY-17**	**FY-18**	**FY-19**
Sales			
Sale of Energy			
- Residential	80,358	85,776	85,026
- Commercial	36,841	31,413	33,127
- Industrial	46,502	56,034	58,894
- Karachi Nuclear Power Plant (KANUPP)	142	247	874
- Fuel Surcharge Adjustment	971	7,444	10,694
- Others	3,755	3,242	3,059
Sub Total	168,569	184,156	191,675
Tariff Adjustment	15,286	32,971	97,444
Total Sales	**183,855**	**217,127**	**289,119**

MAJOR EXPENDITURE ITEMS			
Audited (PKR in Millions)	**FY-17**	**FY-18**	**FY-19**
Costs			
Purchase of Electricity			
- CPPA-G/NTDC	40,039	45,658	52,596
- Independent Power Producers (IPPs)	18,503	28,997	40,925
- Karachi Nuclear Power Plant (KANUPP)	3,123	2,800	1,632
Sub Total	61,665	77,455	95,153
Consumption of Fuel & Oil			
- Natural/RLNG Gas	29,452	25,569	58,648
- Furnace and Other Fuel/Oil	32,015	46,301	61,969
Sub Total	61,467	71,870	120,617
Expenses incurred in Generation, Transmission & Distribution			
- Generation	12,403	13,527	15,073
- Transmission & Distribution	8,799	8,977	7,569
Sub Total	21,202	22,505	22,643
Total Costs	**144,334**	**171,829**	**238,413**

7.6 BREAK-UP OF OTHER INCOME

BREAK-UP OF OTHER INCOME			
Audited (PKR in Millions)	**FY-17**	**FY-18**	**FY-19**
Income from financial assets			
- Return on bank deposits	229	132	249
- Late payment surcharge	2,479	2,318	2,327
Sub Total	2,708	2,450	2,576
Income from non-financial assets			
- Liquidated damages recovered from suppliers and contractors	265	105	102
- Scrap sales	277	240	194
- Amortization of deferred revenue	1,532	1,686	1,831
- Service connection charges	2,082	1,287	1,079
- Collection charges - TV license fee	101	113	131
- Gain on disposal of property, plant and equipment	1,324	535	1,137
- Gain on sale of assets classified as held for sale	170	-	-
- Others	939	2,055	513
Sub Total	6,690	6,020	4,988
Total	**9,399**	**8,470**	**7,564**

7.7 REVALUATION OF FIXED ASSETS OF THE COMPANY

Details of revaluation of fixed assets of the Company is as follows:

REVALUATION OF FIXED ASSETS				
Asset Class	**Revaluation Year**	**External Valuer**	**Written Down Value[4] (PKR in Millions)**	**Revalued Amount (PKR in Millions)**
Leasehold land	2018	Colliers International Pakistan (Private) Limited	11,992	12,567
Plant & Machinery	2019	Iqbal Nanjee and Company (Private) Limited	113,581	135,163
Transmission Grid & Equipment	2019	Iqbal Nanjee and Company (Private) Limited	39,809	44,037

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[4] On revaluation date

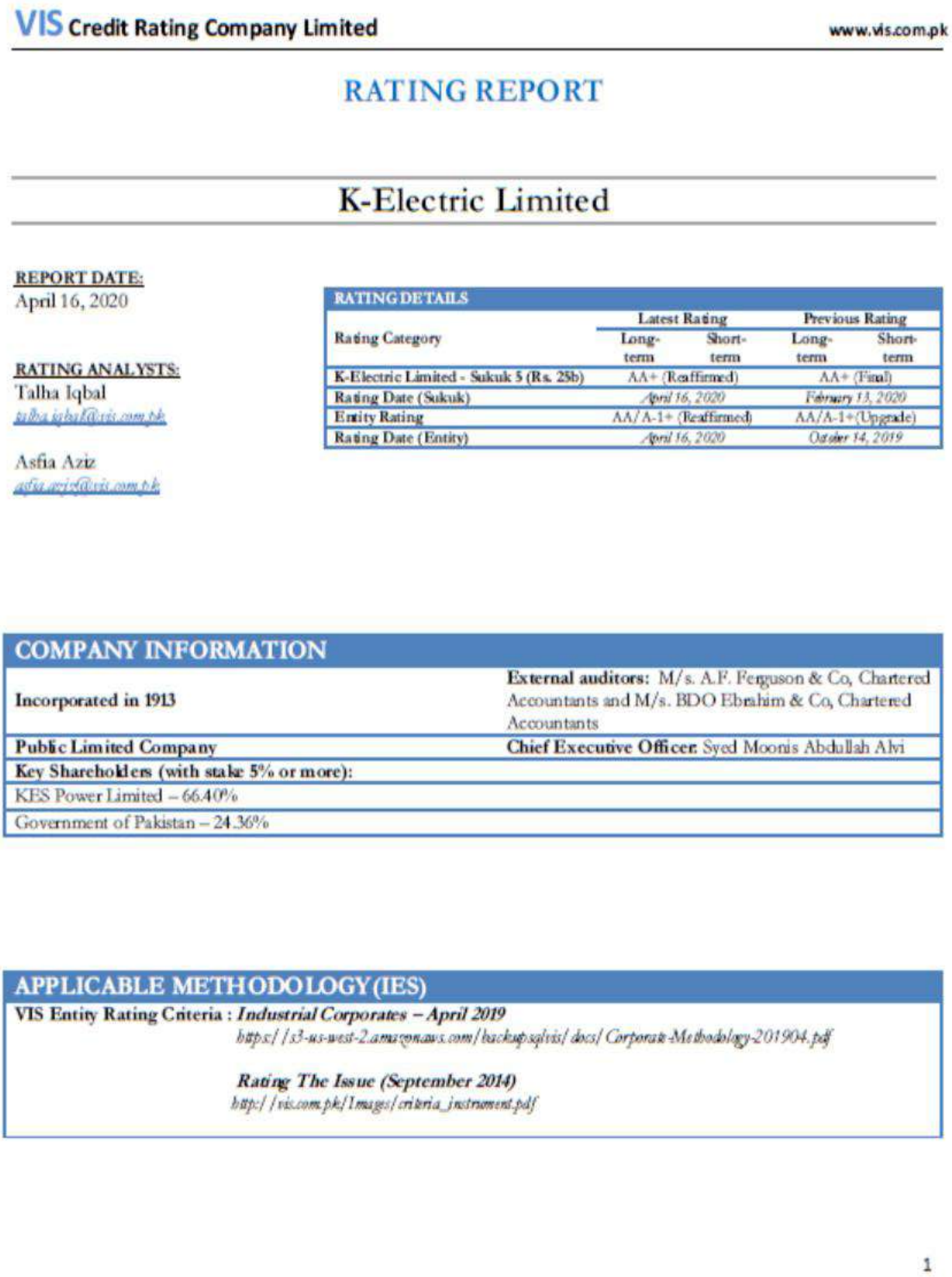
7.8 DIVIDEND POLICY

The Company in its general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board. Dividend, if declared in the general meeting, shall be paid according to the provisions of the Companies Act.

The Board of Directors may from time to time declare interim dividends as appear to it to be justified by the profits of the Company. No dividend shall be paid otherwise than out of the profits of the Company for the year or any other undistributed profits of prior years.

No unpaid dividend shall bear interest or mark up against the Company. The dividends shall be paid within the period laid down in the Companies Act. The last dividend paid to shareholders was in 1995 in the form of Bonus shares.

7.9 ENTITY & INSTRUMENT RATING REPORT



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RATING REPORT

K-Electric Limited

REPORT DATE:
April 16, 2020

RATING ANALYSTS:
Talha Iqbal
talha.iqbal@vis.com.pk

Asfia Aziz
asfia.aziz@vis.com.pk

RATING DETAILS

Rating Category	Latest Rating		Previous Rating	
	Long-term	Short-term	Long-term	Short-term
K-Electric Limited - Sukuk 5 (Rs. 25b)	AA+ (Reaffirmed)		AA+ (Final)	
Rating Date (Sukuk)	*April 16, 2020*		*February 13, 2020*	
Entity Rating	AA/A-1+ (Reaffirmed)		AA/A-1+(Upgrade)	
Rating Date (Entity)	*April 16, 2020*		*October 14, 2019*	

COMPANY INFORMATION

Incorporated in 1913	**External auditors:** M/s. A.F. Ferguson & Co, Chartered Accountants and M/s. BDO Ebrahim & Co, Chartered Accountants
Public Limited Company	**Chief Executive Officer:** Syed Moonis Abdullah Alvi
Key Shareholders (with stake 5% or more):	
KES Power Limited – 66.40%	
Government of Pakistan – 24.36%	

APPLICABLE METHODOLOGY(IES)

VIS Entity Rating Criteria : ***Industrial Corporates – April 2019***
https://s3-us-west-2.amazonaws.com/backupsqlvis/docs/Corporate-Methodology-201904.pdf

Rating The Issue (September 2014)
http://vis.com.pk/Images/criteria_instrument.pdf

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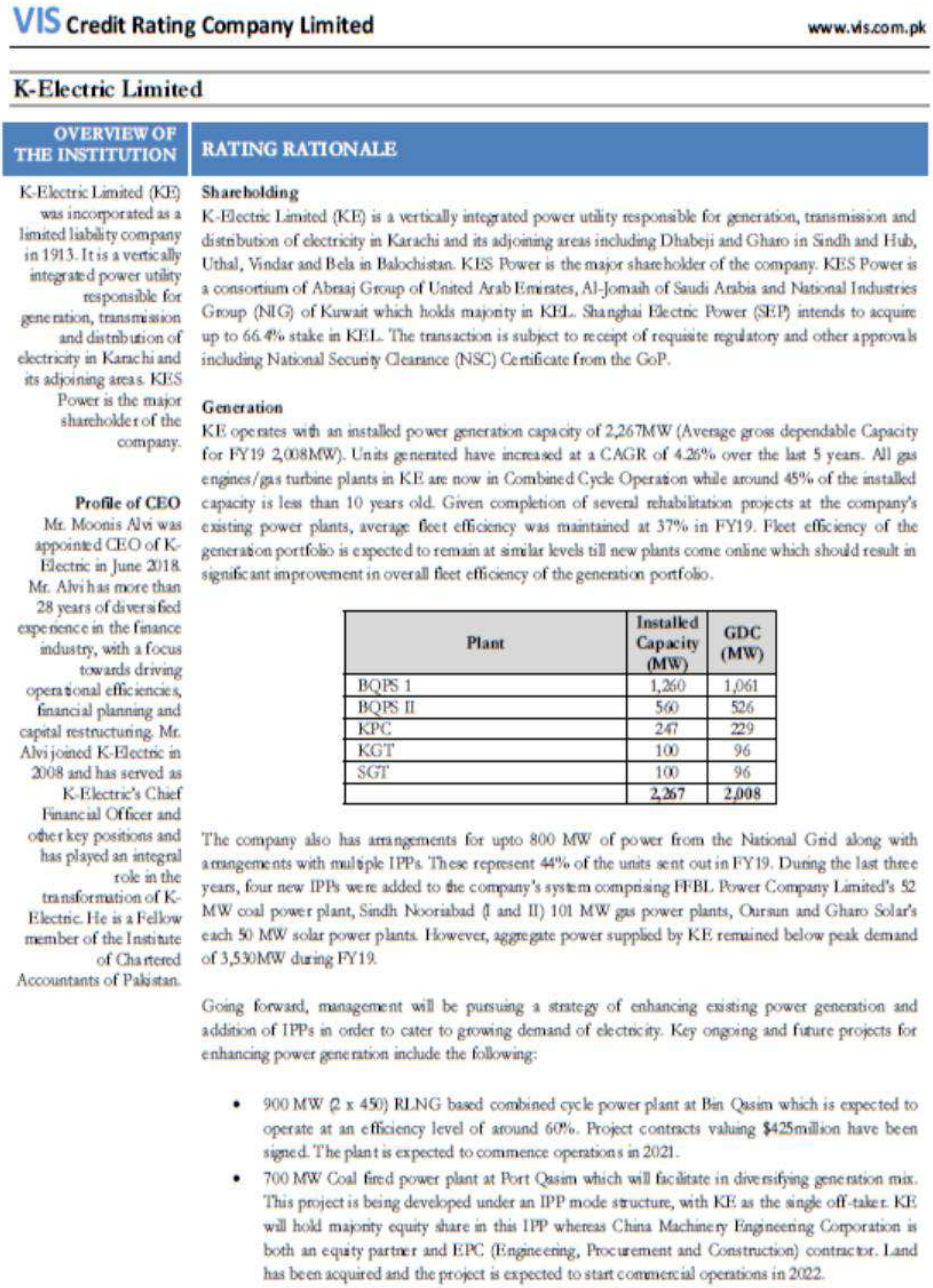

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K-Electric Limited

OVERVIEW OF THE INSTITUTION

K-Electric Limited (KE) was incorporated as a limited liability company in 1913. It is a vertically integrated power utility responsible for generation, transmission and distribution of electricity in Karachi and its adjoining areas. KES Power is the major shareholder of the company.

Profile of CEO

Mr. Moonis Alvi was appointed CEO of K-Electric in June 2018. Mr. Alvi has more than 28 years of diversified experience in the finance industry, with a focus towards driving operational efficiencies, financial planning and capital restructuring. Mr. Alvi joined K-Electric in 2008 and has served as K-Electric's Chief Financial Officer and other key positions and has played an integral role in the transformation of K-Electric. He is a Fellow member of the Institute of Chartered Accountants of Pakistan.

RATING RATIONALE

Shareholding

K-Electric Limited (KE) is a vertically integrated power utility responsible for generation, transmission and distribution of electricity in Karachi and its adjoining areas including Dhabeji and Gharo in Sindh and Hub, Uthal, Vindar and Bela in Balochistan. KES Power is the major shareholder of the company. KES Power is a consortium of Abraaj Group of United Arab Emirates, Al-Jomaih of Saudi Arabia and National Industries Group (NIG) of Kuwait which holds majority in KEL. Shanghai Electric Power (SEP) intends to acquire up to 66.4% stake in KEL. The transaction is subject to receipt of requisite regulatory and other approvals including National Security Clearance (NSC) Certificate from the GoP.

Generation

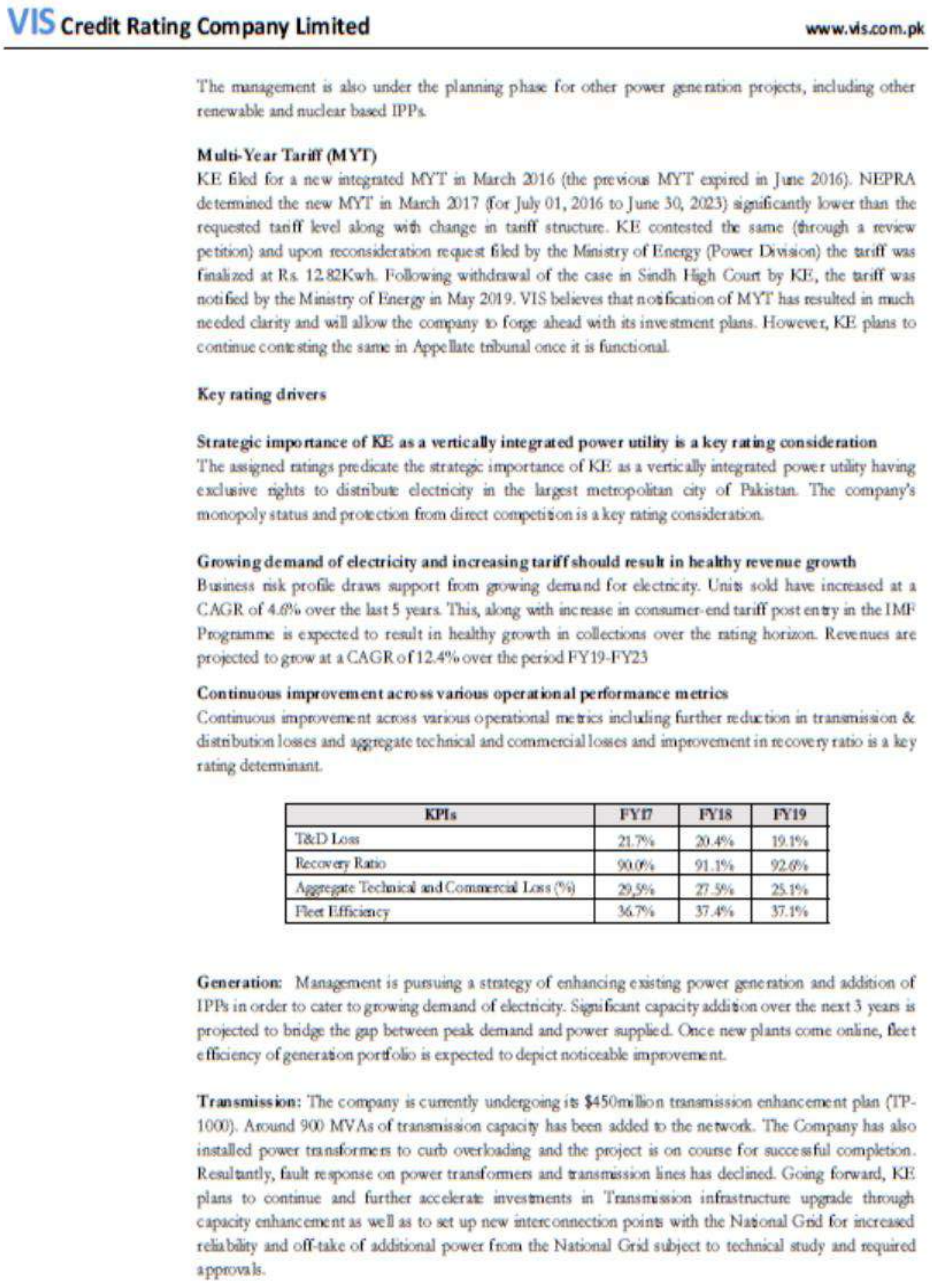
KE operates with an installed power generation capacity of 2,267MW (Average gross dependable Capacity for FY19 2,008MW). Units generated have increased at a CAGR of 4.26% over the last 5 years. All gas engines/gas turbine plants in KE are now in Combined Cycle Operation while around 45% of the installed capacity is less than 10 years old. Given completion of several rehabilitation projects at the company's existing power plants, average fleet efficiency was maintained at 37% in FY19. Fleet efficiency of the generation portfolio is expected to remain at similar levels till new plants come online which should result in significant improvement in overall fleet efficiency of the generation portfolio.

Plant	Installed Capacity (MW)	GDC (MW)
BQPS 1	1,260	1,061
BQPS II	560	526
KPC	247	229
KGT	100	96
SGT	100	96
	2,267	**2,008**

The company also has arrangements for upto 800 MW of power from the National Grid along with arrangements with multiple IPPs. These represent 44% of the units sent out in FY19. During the last three years, four new IPPs were added to the company's system comprising FFBL Power Company Limited's 52 MW coal power plant, Sindh Nooriabad (I and II) 101 MW gas power plants, Oursun and Gharo Solar's each 50 MW solar power plants. However, aggregate power supplied by KE remained below peak demand of 3,530MW during FY19.

Going forward, management will be pursuing a strategy of enhancing existing power generation and addition of IPPs in order to cater to growing demand of electricity. Key ongoing and future projects for enhancing power generation include the following:

- 900 MW (2 x 450) RLNG based combined cycle power plant at Bin Qasim which is expected to operate at an efficiency level of around 60%. Project contracts valuing $425million have been signed. The plant is expected to commence operations in 2021.
- 700 MW Coal fired power plant at Port Qasim which will facilitate in diversifying generation mix. This project is being developed under an IPP mode structure, with KE as the single off-taker. KE will hold majority equity share in this IPP whereas China Machinery Engineering Corporation is both an equity partner and EPC (Engineering, Procurement and Construction) contractor. Land has been acquired and the project is expected to start commercial operations in 2022.



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The management is also under the planning phase for other power generation projects, including other renewable and nuclear based IPPs.

Multi-Year Tariff (MYT)
KE filed for a new integrated MYT in March 2016 (the previous MYT expired in June 2016). NEPRA determined the new MYT in March 2017 (for July 01, 2016 to June 30, 2023) significantly lower than the requested tariff level along with change in tariff structure. KE contested the same (through a review petition) and upon reconsideration request filed by the Ministry of Energy (Power Division) the tariff was finalized at Rs. 12.82Kwh. Following withdrawal of the case in Sindh High Court by KE, the tariff was notified by the Ministry of Energy in May 2019. VIS believes that notification of MYT has resulted in much needed clarity and will allow the company to forge ahead with its investment plans. However, KE plans to continue contesting the same in Appellate tribunal once it is functional.

Key rating drivers

Strategic importance of KE as a vertically integrated power utility is a key rating consideration
The assigned ratings predicate the strategic importance of KE as a vertically integrated power utility having exclusive rights to distribute electricity in the largest metropolitan city of Pakistan. The company's monopoly status and protection from direct competition is a key rating consideration.

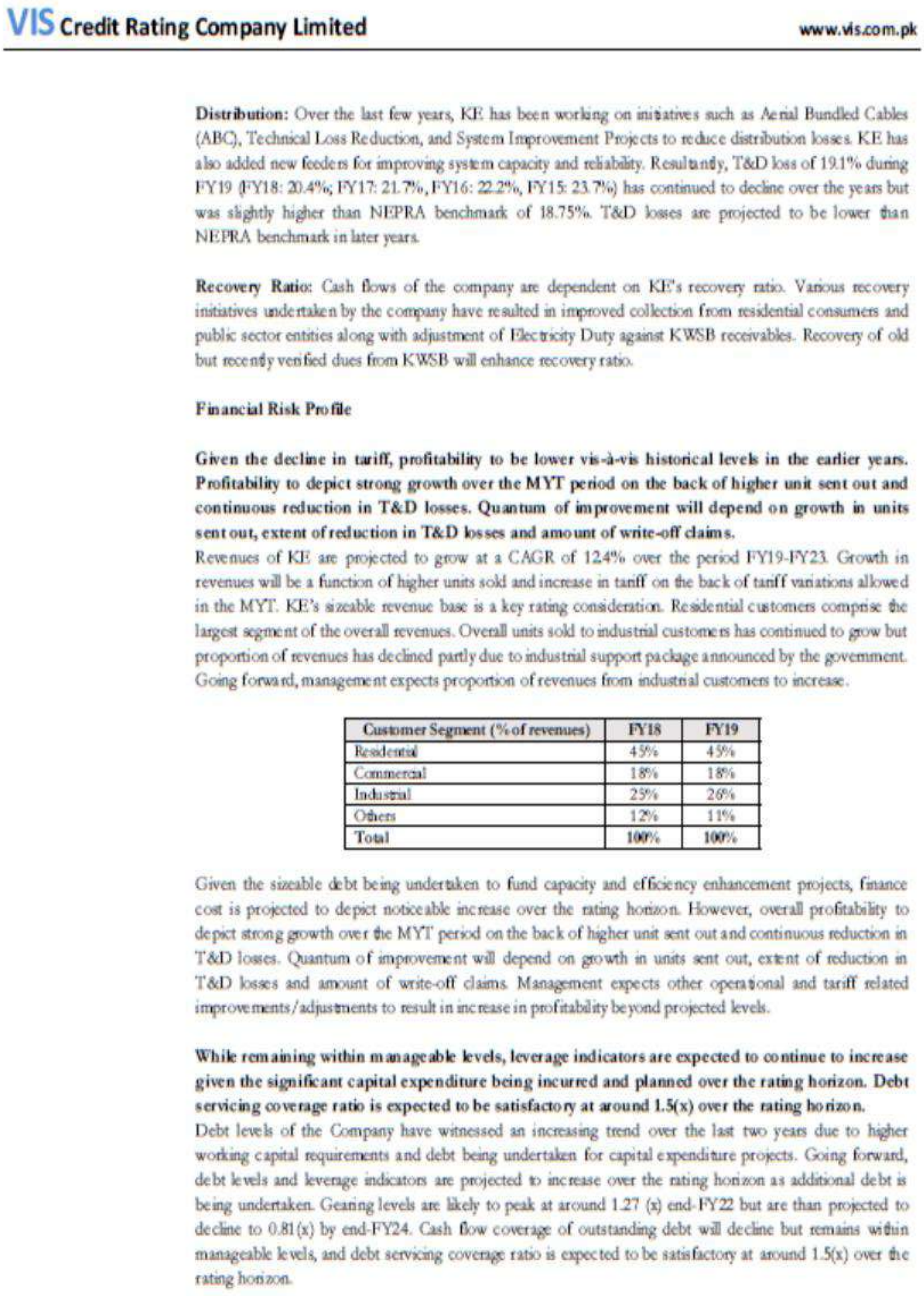
Growing demand of electricity and increasing tariff should result in healthy revenue growth
Business risk profile draws support from growing demand for electricity. Units sold have increased at a CAGR of 4.6% over the last 5 years. This, along with increase in consumer-end tariff post entry in the IMF Programme is expected to result in healthy growth in collections over the rating horizon. Revenues are projected to grow at a CAGR of 12.4% over the period FY19-FY23

Continuous improvement across various operational performance metrics
Continuous improvement across various operational metrics including further reduction in transmission & distribution losses and aggregate technical and commercial losses and improvement in recovery ratio is a key rating determinant.

KPIs	FY17	FY18	FY19
T&D Loss	21.7%	20.4%	19.1%
Recovery Ratio	90.0%	91.1%	92.6%
Aggregate Technical and Commercial Loss (%)	29,5%	27.5%	25.1%
Fleet Efficiency	36.7%	37.4%	37.1%

Generation: Management is pursuing a strategy of enhancing existing power generation and addition of IPPs in order to cater to growing demand of electricity. Significant capacity addition over the next 3 years is projected to bridge the gap between peak demand and power supplied. Once new plants come online, fleet efficiency of generation portfolio is expected to depict noticeable improvement.

Transmission: The company is currently undergoing its $450million transmission enhancement plan (TP-1000). Around 900 MVAs of transmission capacity has been added to the network. The Company has also installed power transformers to curb overloading and the project is on course for successful completion. Resultantly, fault response on power transformers and transmission lines has declined. Going forward, KE plans to continue and further accelerate investments in Transmission infrastructure upgrade through capacity enhancement as well as to set up new interconnection points with the National Grid for increased reliability and off-take of additional power from the National Grid subject to technical study and required approvals.



Distribution: Over the last few years, KE has been working on initiatives such as Aerial Bundled Cables (ABC), Technical Loss Reduction, and System Improvement Projects to reduce distribution losses. KE has also added new feeders for improving system capacity and reliability. Resultantly, T&D loss of 19.1% during FY19 (FY18: 20.4%; FY17: 21.7%, FY16: 22.2%, FY15: 23.7%) has continued to decline over the years but was slightly higher than NEPRA benchmark of 18.75%. T&D losses are projected to be lower than NEPRA benchmark in later years.

Recovery Ratio: Cash flows of the company are dependent on KE's recovery ratio. Various recovery initiatives undertaken by the company have resulted in improved collection from residential consumers and public sector entities along with adjustment of Electricity Duty against KWSB receivables. Recovery of old but recently verified dues from KWSB will enhance recovery ratio.

Financial Risk Profile

Given the decline in tariff, profitability to be lower vis-à-vis historical levels in the earlier years. Profitability to depict strong growth over the MYT period on the back of higher unit sent out and continuous reduction in T&D losses. Quantum of improvement will depend on growth in units sent out, extent of reduction in T&D losses and amount of write-off claims.

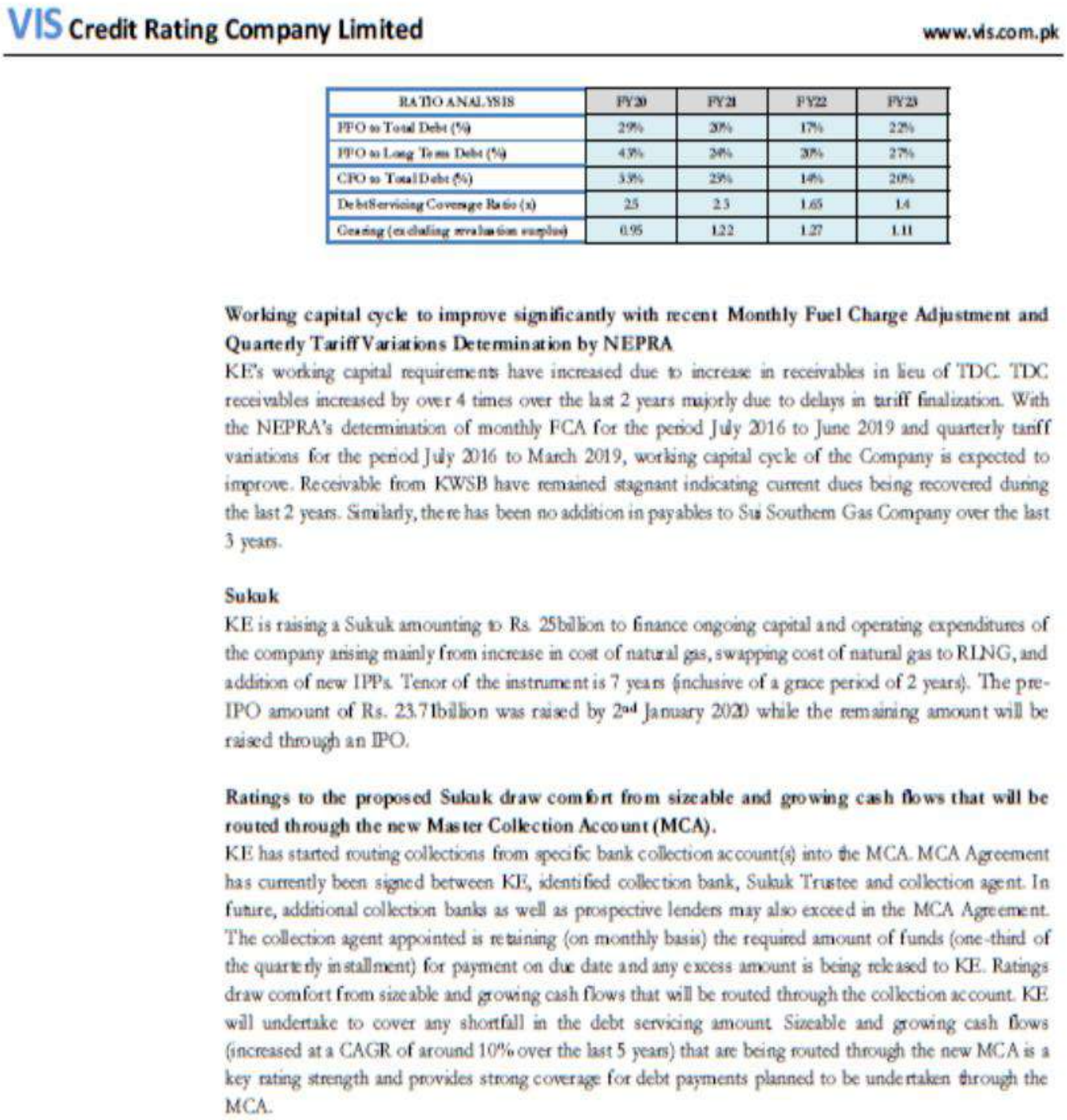
Revenues of KE are projected to grow at a CAGR of 12.4% over the period FY19-FY23. Growth in revenues will be a function of higher units sold and increase in tariff on the back of tariff variations allowed in the MYT. KE's sizeable revenue base is a key rating consideration. Residential customers comprise the largest segment of the overall revenues. Overall units sold to industrial customers has continued to grow but proportion of revenues has declined partly due to industrial support package announced by the government. Going forward, management expects proportion of revenues from industrial customers to increase.

Customer Segment (% of revenues)	FY18	FY19
Residential	45%	45%
Commercial	18%	18%
Industrial	25%	26%
Others	12%	11%
Total	**100%**	**100%**

Given the sizeable debt being undertaken to fund capacity and efficiency enhancement projects, finance cost is projected to depict noticeable increase over the rating horizon. However, overall profitability to depict strong growth over the MYT period on the back of higher unit sent out and continuous reduction in T&D losses. Quantum of improvement will depend on growth in units sent out, extent of reduction in T&D losses and amount of write-off claims. Management expects other operational and tariff related improvements/adjustments to result in increase in profitability beyond projected levels.

While remaining within manageable levels, leverage indicators are expected to continue to increase given the significant capital expenditure being incurred and planned over the rating horizon. Debt servicing coverage ratio is expected to be satisfactory at around 1.5(x) over the rating horizon.

Debt levels of the Company have witnessed an increasing trend over the last two years due to higher working capital requirements and debt being undertaken for capital expenditure projects. Going forward, debt levels and leverage indicators are projected to increase over the rating horizon as additional debt is being undertaken. Gearing levels are likely to peak at around 1.27 (x) end-FY22 but are than projected to decline to 0.81(x) by end-FY24. Cash flow coverage of outstanding debt will decline but remains within manageable levels, and debt servicing coverage ratio is expected to be satisfactory at around 1.5(x) over the rating horizon.



RATIO ANALYSIS	FY20	FY21	FY22	FY23
FFO to Total Debt (%)	29%	20%	17%	22%
FFO to Long Term Debt (%)	43%	24%	20%	27%
CFO to Total Debt (%)	33%	25%	14%	20%
Debt Servicing Coverage Ratio (x)	2.5	2.3	1.65	1.4
Gearing (excluding revaluation surplus)	0.95	1.22	1.27	1.11

Working capital cycle to improve significantly with recent Monthly Fuel Charge Adjustment and Quarterly Tariff Variations Determination by NEPRA

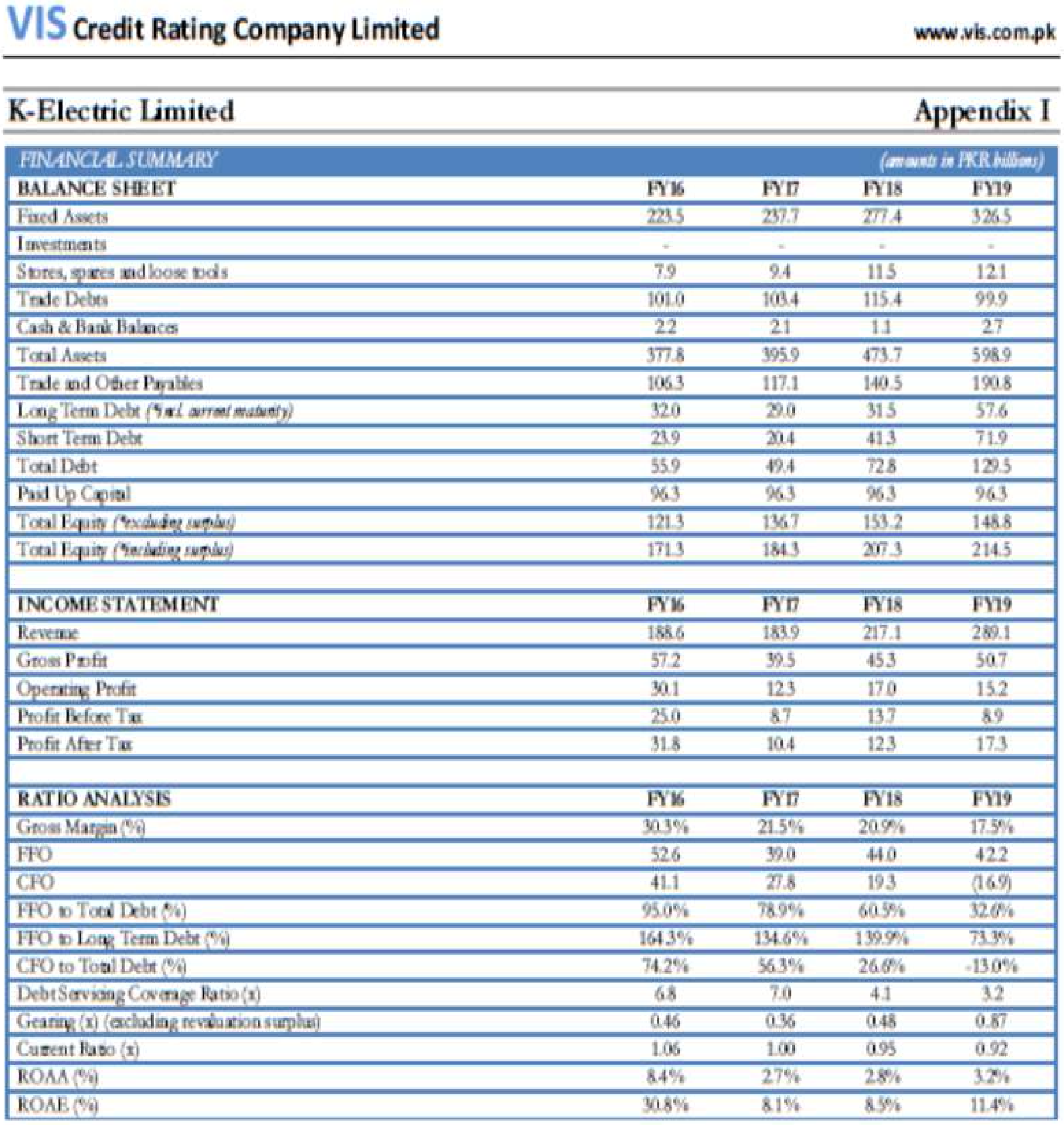
KE's working capital requirements have increased due to increase in receivables in lieu of TDC. TDC receivables increased by over 4 times over the last 2 years majorly due to delays in tariff finalization. With the NEPRA's determination of monthly FCA for the period July 2016 to June 2019 and quarterly tariff variations for the period July 2016 to March 2019, working capital cycle of the Company is expected to improve. Receivable from KWSB have remained stagnant indicating current dues being recovered during the last 2 years. Similarly, there has been no addition in payables to Sui Southern Gas Company over the last 3 years.

Sukuk

KE is raising a Sukuk amounting to Rs. 25billion to finance ongoing capital and operating expenditures of the company arising mainly from increase in cost of natural gas, swapping cost of natural gas to RLNG, and addition of new IPPs. Tenor of the instrument is 7 years (inclusive of a grace period of 2 years). The pre-IPO amount of Rs. 23.71billion was raised by 2nd January 2020 while the remaining amount will be raised through an IPO.

Ratings to the proposed Sukuk draw comfort from sizeable and growing cash flows that will be routed through the new Master Collection Account (MCA).

KE has started routing collections from specific bank collection account(s) into the MCA. MCA Agreement has currently been signed between KE, identified collection bank, Sukuk Trustee and collection agent. In future, additional collection banks as well as prospective lenders may also exceed in the MCA Agreement. The collection agent appointed is retaining (on monthly basis) the required amount of funds (one-third of the quarterly installment) for payment on due date and any excess amount is being released to KE. Ratings draw comfort from sizeable and growing cash flows that will be routed through the collection account. KE will undertake to cover any shortfall in the debt servicing amount. Sizeable and growing cash flows (increased at a CAGR of around 10% over the last 5 years) that are being routed through the new MCA is a key rating strength and provides strong coverage for debt payments planned to be undertaken through the MCA.



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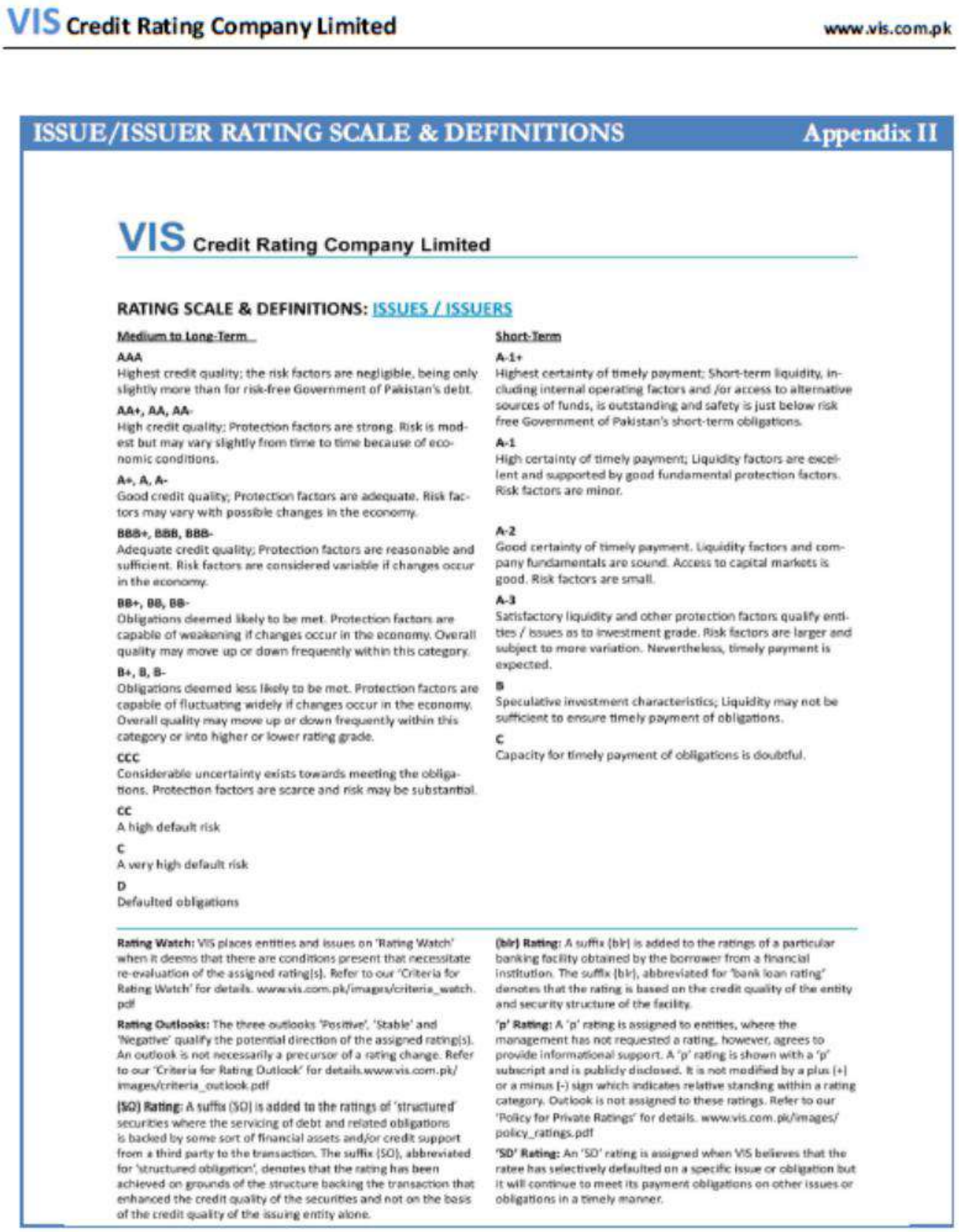
K-Electric Limited

Appendix I

FINANCIAL SUMMARY *(amounts in PKR billions)*

BALANCE SHEET	**FY16**	**FY17**	**FY18**	**FY19**
Fixed Assets	223.5	237.7	277.4	326.5
Investments	-	-	-	-
Stores, spares and loose tools	7.9	9.4	11.5	12.1
Trade Debts	101.0	103.4	115.4	99.9
Cash & Bank Balances	2.2	2.1	1.1	2.7
Total Assets	377.8	395.9	473.7	598.9
Trade and Other Payables	106.3	117.1	140.5	190.8
Long Term Debt *(*incl. current maturity)*	32.0	29.0	31.5	57.6
Short Term Debt	23.9	20.4	41.3	71.9
Total Debt	55.9	49.4	72.8	129.5
Paid Up Capital	96.3	96.3	96.3	96.3
Total Equity *(*excluding surplus)*	121.3	136.7	153.2	148.8
Total Equity *(*including surplus)*	171.3	184.3	207.3	214.5
INCOME STATEMENT	**FY16**	**FY17**	**FY18**	**FY19**
Revenue	188.6	183.9	217.1	289.1
Gross Profit	57.2	39.5	45.3	50.7
Operating Profit	30.1	12.3	17.0	15.2
Profit Before Tax	25.0	8.7	13.7	8.9
Profit After Tax	31.8	10.4	12.3	17.3
RATIO ANALYSIS	**FY16**	**FY17**	**FY18**	**FY19**
Gross Margin (%)	30.3%	21.5%	20.9%	17.5%
FFO	52.6	39.0	44.0	42.2
CFO	41.1	27.8	19.3	(16.9)
FFO to Total Debt (%)	95.0%	78.9%	60.5%	32.6%
FFO to Long Term Debt (%)	164.3%	134.6%	139.9%	73.3%
CFO to Total Debt (%)	74.2%	56.3%	26.6%	-13.0%
Debt Servicing Coverage Ratio (x)	6.8	7.0	4.1	3.2
Gearing (x) (excluding revaluation surplus)	0.46	0.36	0.48	0.87
Current Ratio (x)	1.06	1.00	0.95	0.92
ROAA (%)	8.4%	2.7%	2.8%	3.2%
ROAE (%)	30.8%	8.1%	8.5%	11.4%



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ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix II

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: ISSUES / ISSUERS

Medium to Long-Term

AAA
Highest credit quality; the risk factors are negligible, being only slightly more than for risk-free Government of Pakistan's debt.

AA+, AA, AA-
High credit quality; Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A+, A, A-
Good credit quality; Protection factors are adequate. Risk factors may vary with possible changes in the economy.

BBB+, BBB, BBB-
Adequate credit quality; Protection factors are reasonable and sufficient. Risk factors are considered variable if changes occur in the economy.

BB+, BB, BB-
Obligations deemed likely to be met. Protection factors are capable of weakening if changes occur in the economy. Overall quality may move up or down frequently within this category.

B+, B, B-
Obligations deemed less likely to be met. Protection factors are capable of fluctuating widely if changes occur in the economy. Overall quality may move up or down frequently within this category or into higher or lower rating grade.

CCC
Considerable uncertainty exists towards meeting the obligations. Protection factors are scarce and risk may be substantial.

CC
A high default risk

C
A very high default risk

D
Defaulted obligations

Short-Term

A-1+
Highest certainty of timely payment; Short-term liquidity, including internal operating factors and /or access to alternative sources of funds, is outstanding and safety is just below risk free Government of Pakistan's short-term obligations.

A-1
High certainty of timely payment; Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

A-2
Good certainty of timely payment. Liquidity factors and company fundamentals are sound. Access to capital markets is good. Risk factors are small.

A-3
Satisfactory liquidity and other protection factors qualify entities / issues as to investment grade. Risk factors are larger and subject to more variation. Nevertheless, timely payment is expected.

B
Speculative investment characteristics; Liquidity may not be sufficient to ensure timely payment of obligations.

C
Capacity for timely payment of obligations is doubtful.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

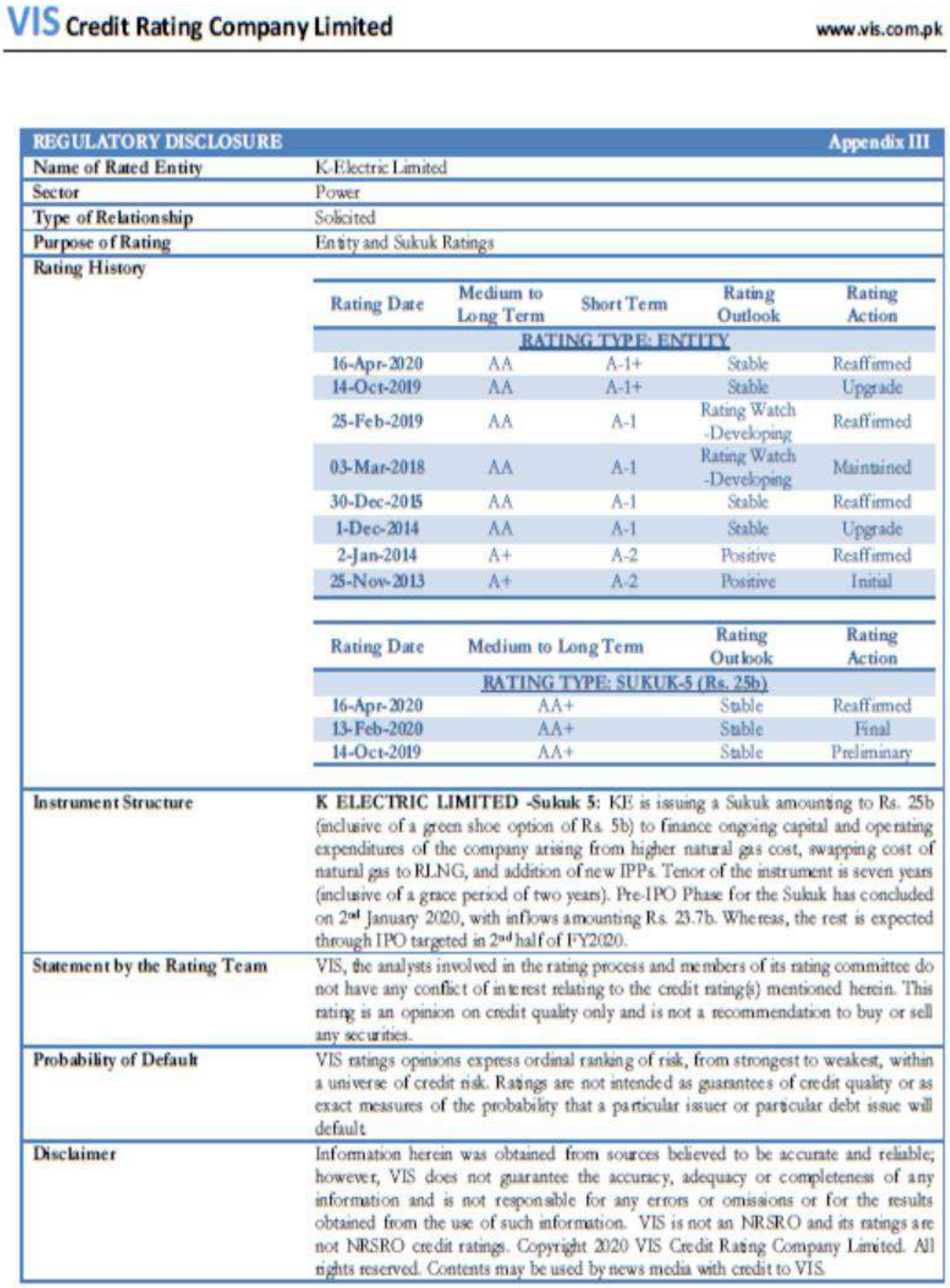
Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details.www.vis.com.pk/images/criteria_outlook.pdf

(SO) Rating: A suffix (SO) is added to the ratings of 'structured' securities where the servicing of debt and related obligations is backed by some sort of financial assets and/or credit support from a third party to the transaction. The suffix (SO), abbreviated for 'structured obligation', denotes that the rating has been achieved on grounds of the structure backing the transaction that enhanced the credit quality of the securities and not on the basis of the credit quality of the issuing entity alone.

(blr) Rating: A suffix (blr) is added to the ratings of a particular banking facility obtained by the borrower from a financial institution. The suffix (blr), abbreviated for 'bank loan rating' denotes that the rating is based on the credit quality of the entity and security structure of the facility.

'p' Rating: A 'p' rating is assigned to entities, where the management has not requested a rating, however, agrees to provide informational support. A 'p' rating is shown with a 'p' subscript and is publicly disclosed. It is not modified by a plus (+) or a minus (-) sign which indicates relative standing within a rating category. Outlook is not assigned to these ratings. Refer to our 'Policy for Private Ratings' for details. www.vis.com.pk/images/policy_ratings.pdf

'SD' Rating: An 'SD' rating is assigned when VIS believes that the ratee has selectively defaulted on a specific issue or obligation but it will continue to meet its payment obligations on other issues or obligations in a timely manner.



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REGULATORY DISCLOSURE	Appendix III
Name of Rated Entity	K-Electric Limited
Sector	Power
Type of Relationship	Solicited
Purpose of Rating	Entity and Sukuk Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
16-Apr-2020	AA	A-1+	Stable	Reaffirmed
14-Oct-2019	AA	A-1+	Stable	Upgrade
25-Feb-2019	AA	A-1	Rating Watch -Developing	Reaffirmed
03-Mar-2018	AA	A-1	Rating Watch -Developing	Maintained
30-Dec-2015	AA	A-1	Stable	Reaffirmed
1-Dec-2014	AA	A-1	Stable	Upgrade
2-Jan-2014	A+	A-2	Positive	Reaffirmed
25-Nov-2013	A+	A-2	Positive	Initial

Rating Date	Medium to Long Term	Rating Outlook	Rating Action
RATING TYPE: SUKUK-5 (Rs. 25b)			
16-Apr-2020	AA+	Stable	Reaffirmed
13-Feb-2020	AA+	Stable	Final
14-Oct-2019	AA+	Stable	Preliminary

Instrument Structure	**K ELECTRIC LIMITED -Sukuk 5:** KE is issuing a Sukuk amounting to Rs. 25b (inclusive of a green shoe option of Rs. 5b) to finance ongoing capital and operating expenditures of the company arising from higher natural gas cost, swapping cost of natural gas to RLNG, and addition of new IPPs. Tenor of the instrument is seven years (inclusive of a grace period of two years). Pre-IPO Phase for the Sukuk has concluded on 2nd January 2020, with inflows amounting Rs. 23.7b. Whereas, the rest is expected through IPO targeted in 2nd half of FY2020.
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.
Probability of Default	VIS ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2020 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.

7.10 SECURITY OF THE ISSUE

1. A first charge over the Hypothecated Properties, in favour of the Sukuk Trustee for the benefit of Sukuk holders. The list contains a total of 50 grid stations that KE has identified having total valuation of PKR 33.4 Bn.

2. A first hypothecation charge over the Hypothecated Collections, Accounts and Deposits in favour of the Sukuk Trustee for the benefit of Sukuk holders.

3. A first charge by way of letter of lien over the Hypothecated Accounts and Deposits, in favour of the Sukuk Trustee for the benefit of Sukuk holders.

4. A first charge by way of letter of lien over the Payment Account and deposits in favour of the Sukuk Trustee for the benefit of Sukuk holders.

Further, during the tenor of Sukuk the Security created over the Hypothecated Properties may be released/vacated from time to time to the extent of amounts paid to Sukuk holders towards rental payments and buy out prices, provided value of the remaining Hypothecated Properties subject to the Security will always be more than the outstanding amounts under the Sukuk (i.e. outstanding rental payments and buy out prices) plus 25% margin, compliance with financial covenants and non-occurrence of dissolution event or potential dissolution event.

All collections of HBL banking pool is routed and retained as per the retention requirements through a specific Master Collection Account (“MCA”) from KE’s existing collection accounts maintained with HBL.

The MCA and existing collection accounts are under hypothecation charge and lien of the Trustee along with right of set off.

The mechanism will be as follows:

i. In normal course of business, funds equivalent to 1/3rd of quarterly installment requirement will be retained in MCA on monthly basis and any excess funds will be released to KE as per their instructions or credited into KE checking account, subject to terms of legal documents including collection agreement;
ii. 1 day prior to the quarterly installment date, the retained funds will be transferred into the Payment Account for onward payments to the Sukuk holders; and
iii. In case of an event of default as defined in the legal documentation, Trustee may exercise its right of lien and funds will not be released to KE without Trustee’s permission. In this case Trustee may use the collection proceeds to adjust the Sukuk holders’ due amount.

Furthermore, going forward KE has plans to enhance the capacity of the above-mentioned MCA by adding new banking pools to cater for its future financing requirements. These future lenders/financers will rank pari-passu to HBL/trustee for which the Company will request an NOC (subject to terms of legal documents) at that time and such arrangement will not have any adverse impact on security created for the Sukuk.

Details of the Grid Stations where the Musharaka assets (which are also the Hypothecated Properties) are/will be located (and which are secured in favour of Sukuk Trustee) are as follows:

S. No	Name of Grid Station	Value	Addresses
1	West Wharf	867,662,175	Plot No. 52 A & B at West Wharf Road, Karachi
2	Old Town	1,171,732,200	Plot No. 14, Haris Road, Chalaram Road, Charade, Kharadar, Karachi
3	Queens Road	716,035,040	Plot # 8, Queens Road, Karachi
4	Lalazar	765,399,550	Plot No. 12, Queens Road (M.T. Khan Road)
5	Surjani Town	995,501,920	Plot No. ST-7 (FL-1), Sector 5-F, Surjani Town, Karachi
6	Lyari	302,592,750	Old Truck Stand, Mauripur Road, Karachi
7	Gizri	341,106,800	Plot # 39/B, Gizri Grid Station, DHA Phase 4, Karachi
8	D.H.A.	624,582,335	Plot No. 135-A, Khayan-e-Shaheen, Phase-vi, DHA, Karachi
9	Korangi West	263,750,160	ST-3 Sector 22 Korangi West
10	Qayyumabad	598,928,100	Plot No. St-3, Sector 22, Korangi Grid near Jam Sadiq Bridge, Karachi
11	Federal Area "B" [B]	431,520,100	Plot No. St. 3, Block 19, F. B. Area, Near Alnoor Society, Karachi
12	Liaquatabad	372,525,725	F.C. Flats Area, Near Maqsood Elahi Masjid, Liaquatabad
13	Civic Centre	331,097,800	(Plot No. ST-8/1 & ST-15, Block 14, Gulshan-e-Iqbal)
14	Malir Cantonment	288,024,150	Site Opposite Cinema near Khairpur Line, Malir Cantt, Karachi
15	Gulistan-e-Johar	695,885,610	Plot ST-2, Block 6, Scheme 36, Gulistan-e-Johar, Karachi
16	North Nazimabad	263,538,950	Plot # ST-3, Block-P, North Karachi, Karachi
17	North Karachi	311,813,100	ST-22, Sector 5-C-4, North Karachi, Karachi
18	SITE - I	542,480,925	D-108 SITE, Karachi
19	Haroonabad - SITE-II	375,324,250	D-108 SITE, Karachi
20	Valika	1,063,106,600	Plot 25, Mangophir Road, Near Javedan Cement Factory, Karachi
21	Orangi	382,494,550	Plot No. ST-4, St-6 Sector 13-G Orangi Town, Karachi
22	HUB Chowki	604,310,210	Hub Chowki, Moiza Hub Tehsil Hub, District Lasbella, Deh Barot
23	PIPRI East	142,891,500	situated at Pakistan Steel Mills area,

S. No	Name of Grid Station	Value	Addresses
24	Korangi East	220,917,640	Survey No. 196, Deh Sharafi Korangi Industrial Area
25	Landhi	746,133,120	Plot No. HG-10, near Al-Karam Textile Mills Limited, Karachi
26	Vinder	108,878,800	Survey No. 2/3, Khasara No. 10/106, Mosa Khathore the Somiani Khotore, Vinder
27	Uthal	98,205,900	Survey # 138/1, Khasra # 67, Moza Khangar the District Uthal Lasbella
28	Bela	53,387,900	Mauza Wang Tehsil Bela District Lasbella
29	Gharo	142,444,700	Gharo Grid Station Shafiabad.
30	Port Qasim	438,610,500	Grid at Port Qasim area
31	KEPZ	607,426,100	Within the permises of Karachi Export Prossing Zone
32	Garden Road	932,559,500	Plot # 66/1/1 Garden West, Karachi
33	Memon Goth (Malir/K.par)	742,675,705	Plot No. NC-336, Deh Mulh Memon Goth, Karachi
34	P.R.L.	894,991,095	Naclas No. 24 Deh Dih Korangi Creek Road, Karachi
35	Jail Road	928,155,550	Plot No. 440/1/2 Nishter Road, Garden West
36	DHA Creek City	383,447,340	CC GS-1, 16th Street, DHA, Phase-8, Karachi
37	Hospital	764,477,890	Plot ST-14, 15 & 16 Block-16 Sch-36 Gulistan-e-Jauhar, Karachi
38	132 KVA AGA KHAN GS	455,377,600	In Chailogy street behind Agha Khan University Hospital Karachi
39	Korangi Town	3,255,871,200	Survey No.19-8, Deh Shara Korangi
40	Gadap	35,416,950	Gadap Town
41	Baldia	1,415,963,700	Sector ‘8’ Baldia Township (Baldia Grid)
42	Clifton	501,948,460	Plot No. ST-1, Block-I, Scheme-5, Clifton
43	Dhabeji	282,365,460	Dhabeji Dist. Thatta;
44	Jacob Lines	527,720,160	Plot No. C-6-2, Block-1, Lines Area.
45	Gulshan-e-Iqbal	535,944,500	Plot No.ST-1, Block 19, Gulshan-e-Iqbal, Karachi
46	KDA (220 KV)	889,190,550	Sec. 48/A, KDA Scheme-33, Super Highway
47	KDA (132 KV)	1,266,837,975	Sec. 48/A, KDA Scheme-33, Super Highway
48	Korangi South - II	1,081,463,700	ST-3, Sector 51-K, Korangi South
49	Mauripur	3,281,651,700	Plot No. S/64, SITE, Mauripur Road, near new truck stand,
50	PIPRI West (132 KV)	371,729,600	situated at Pakistan Steel Mills area,
	Total	**33,416,097,795**	

Total value of the assets backing the instrument as per the latest valuation report is PKR 33,416 million (as of June 30, 2019). Book value of these assets as at June 30, 2019 is PKR 33,416 million.

7.11 SUKUK TRUSTEE

In order to safeguard the interests of the Sukuk holders, Pak Brunei Investment Company Limited has been appointed to act as Trustee/Investment Agent for the issue. The Issuer shall pay to the Trustee/Investment Agent an annual fee of PKR 1,500,000. The fee shall be payable at the beginning of each year commencing from the date of signing of the Trust Deeds and on each subsequent anniversary thereof. **The Bankers to the Issue have been instructed to inform the Trustee on a daily basis of the subscriptions received for issuance of Sukuk.**

7.12 EVENTS OF DEFAULT & CIRCUMSTANCES UNDER WHICH SECURITY BECOMES ENFORCEABLE AND ENFORCEMENT PROCEDURE

7.12.1 DISSOLUTION EVENTS

In terms of Article 8.1 of the Declaration of Trust, each of the following events shall constitute a Dissolution Event after the expiry of grace period (if any) in terms of the Declaration of Trust (unless defined herein, the capitalized terms under this paragraph 1 shall have the meaning assigned to them under the Declaration of Trust):

(a) the failure of the Issuer to:

   (i) pay any Rental Payments or Buy Out Prices on the relevant Payment Dates in accordance with the relevant Sukuk Transaction Documents;

   (ii) pay any amounts payable by the Issuer under Sukuk Transaction Documents (other than as specified in sub-clause (i), (iv) and (v) of this sub-para (a)) and such failure continues for a period of five (5) consecutive Business Days after expiry of the payment date as provided under a demand for the payment of the same put to the Issuer;

   (iii) pay any amount due on any of its financial debt (including principal or any premium or fee thereon, but excluding Circular Debt) aggregating in excess of Pakistani Rupees One Billion only (PKR 1,000,000,000/-) when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise), excluding the Sukuk Issue. Provided, that the above threshold of Pakistani Rupees One Billion only (PKR 1,000,000,000/-) shall be inapplicable in the event the financial institutions institute court proceedings or litigation in relation to any such cross-defaults and such event shall constitute a Dissolution Event if such amount is less than Pakistani Rupees One Billion (PKR 1,000,000,000/-);

   (iv) fund the Sukuk Payment Account in terms of the Collection Agreement; and

   (v) route and/or deposit any amount in relation to the Collections in accordance with the terms of the Collection Agreement;

(b) default by the Issuer in the performance or observance of or compliance with any of its other material obligations or undertakings under the Sukuk Transaction Documents and such default (other than as specified in sub-clause (a) above) continues for a period of fifteen (15) Business Days from the date of receipt of notice by the Issuer from the Sukuk Trustee in respect of the same;

(c) an event of default (howsoever described and/or defined) occurs under a Sukuk Transaction Document and such event of default (other than as specified in sub-clause (a) above) continues for a period of fifteen (15) Business Days from the date of receipt of notice by the Issuer from the Sukuk Trustee in respect of the same;

(d) any representation or warranty made or deemed to be made or repeated by the Issuer in or pursuant to the Declaration of Trust is found to be breached, incorrect and/or misleading which may cause or be reasonably expected to have a Material Adverse Effect[5];

(e) the Issuer assigns or enters into an arrangement for the benefit of its creditors in respect of any Financial Indebtedness, which has a Material Adverse Effect;

(f) the Issuer:

  (i) voluntarily or involuntarily becomes the subject of bankruptcy or insolvency proceedings (except for proceedings which are frivolous in nature) or is liquidated or declared bankrupt;

  (ii) elects to become a party to or is subject to any proceedings or procedure under any law for the relief of financially distressed debtors, except for proceedings which are frivolous in nature; and/or

  (iii) admits in writing its inability to pay its debts as they mature, to the Sukuk Trustee;

(g) the Issuer is unable or admits its inability to meet its payment obligations in respect of its Financial Indebtedness as the same fall due, suspends making payments on any of its Financial Indebtedness or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling its Financial Indebtedness or any portion thereof;

(h) a moratorium is declared in respect of any Financial Indebtedness of the Issuer;

(i) any corporate action, legal proceedings or other procedure or steps are taken by the Issuer in relation to the suspension of payments, winding-up, dissolution, administration or reorganization (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Issuer other than a solvent liquidation or reorganization;

(j) the Issuer enters into or initiates steps for entering into a composition, compromise, assignment or arrangement with any of its creditors, which has a Material Adverse Effect;

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[5] Material Adverse Effect will be determined by the Sukuk Trustee (acting by way of an Extraordinary Resolution) in terms of the Declaration Trust.

(k) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Issuer (if applicable) or any of its assets;

(l) enforcement of any Security Interest over substantial assets of the Issuer, which has a Material Adverse Effect;

(m) any Authority condemns, nationalizes, acquires or expropriates (with or without compensation) any or all the assets of the Issuer including but not restricted to the Secured Properties or other assets of the Issuer or its share capital or assumes custody or control over such property or assets of the business and/or operations of the Issuer, or takes any action for the dissolution or disestablishment of the Issuer or takes any other action that would prevent the Issuer or its officers from carrying on all or substantial part of the business or operations;

(n) any other event or circumstance arising out of the Issuer’s negligence or default which results in a Material Adverse Effect;

(o) any Financial Indebtedness of the Issuer is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described), which has a Material Adverse Effect;

(p) any commitment for any Financial Indebtedness of the Issuer is cancelled or suspended by a creditor of the Issuer, as a result of an event of default (however described), which has a Material Adverse Effect;

(q) it is or becomes unlawful for the Issuer to perform any of its material obligations under the Declaration of Trust;

(r) any obligation or obligations of the Issuer under the Declaration of Trust or any Sukuk Transaction Document cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively has a Material Adverse Effect;

(s) the Declaration of Trust and/or any Sukuk Transaction Document ceases to be legal, valid, binding or enforceable in the reasonable opinion of the Sukuk Trustee;

(t) the Issuer repudiates the Declaration of Trust or evidences an intention to repudiate the Declaration of Trust;

(u) any Security Document ceases to be in full force and effect, is not fully perfected, or is declared to be void or is repudiated and the conditions resulting in the repudiation are not remedied and/or replacement Security Documents are not executed within a period of two (2) Business Days from the date on which the Security Documents become void and / or are repudiated;

(v) any court or arbitrator passes a final non-appealable judgement or arbitral award for payment, against the Issuer and the Issuer fails to effect such payment within sixty (60) days from the date on which the obligation to pay arises and provided the same has a Material Adverse Effect;

(w) the Issuer fails to comply with any law or regulation to which it may be subject and the same has a Material Adverse Effect;

(x) the Issuer fails to comply with the covenants set out in the Declaration of Trust and such failure continues for a period of thirty (30) days from the date of receipt of a notice by the Issuer from the Sukuk Trustee in respect of the same or from the date on which the Issuer has knowledge of the same, whichever is earlier;

(y) the Issuer suspends, ceases, or threatens to suspend or cease, to carry on all or a substantial part of its business or to change the nature of its business from that undertaken at the date of the Declaration of Trust;

(z) any Sukuk Transaction Document or any of its provisions:

  (i) is suspended, repudiated, revoked, terminated or ceases to be in full force and effect or ceases to provide the security intended, without, in each case, the prior written consent of the Sukuk Trustee and the Investment Agent;

  (ii) becomes illegal, invalid, unlawful, unenforceable or is declared void; or

  (iii) is repudiated or its validity or enforceability is challenged in a court of law by any person and any such repudiation or challenge is not withdrawn within ten (10) Business Days (provided, however, such ten (10) Business Days limit shall be extended as long as Issuer is actively defending against any such repudiation or challenge), but in any case, such cure period shall immediately expire if and when such repudiation or challenge becomes effective consent;

(aa) invalidity or material diminution in value of any of the Secured Properties;

(bb) abandonment or destruction of the whole or a material part of the Secured Properties unless the Secured Properties are fully insured, and the Insurance/Takaful proceeds are available to be applied in reinstatement of such Secured Properties;

(cc) change of control of the Issuer or its Sponsors (other than the Permitted Transferee) without the prior written consent of the Sukuk Trustee and the Investment Agent;

(dd) an adverse movement in the base tariff of PKR. 12.8172/kWh for the period of July 01, 2016 to June 30, 2023 determined in terms of the existing tariff determination bearing reference number S.R.O. 576 (I)/2019 dated May 22, 2019 issued to the Issuer;

(ee) any event or series of events (whether related or not) occurs which would have a Material Adverse Effect;

(ff) the occurrence of a material major uninsured loss occurs in the opinion of the Sukuk Trustee and the Investment Agent;

(gg) in respect of Prudential Regulations to be complied with in respect of the affairs of borrowers, any action of the Issuer that would result in any relevant Sukuk Holder being in breach of the Prudential Regulations, unless appropriate waivers have been obtained from SBP and/or SECP as applicable;

(hh) any consent or Authorisation is not obtained when required or is rescinded, terminated, lapses or otherwise ceases to be in full force and effect, where such consent or Authorisation is necessary:
  (i) for a Person to comply with its obligations under any of the Sukuk Transaction Documents; or
  (ii) for the Issuer to carry out its business and operations, where the failure to obtain such Authorisation, or the recession, termination, lapse or otherwise cessation of such Authorisation being in full force has or could reasonably be expected to have a Material Adverse Effect,

and in each case is not restored or reinstated within thirty (30) days of notice by the Sukuk Trustee and the Investment Agent to the Issuer requiring that restoration or reinstatement;

(ii) the Issuer fails to comply with or pay any sum due from it under any final judgement or any final order made or given by any court of competent jurisdiction that could be a Material Adverse Effect, and such judgement is not satisfied, appealed or discharged within sixty (60) days of entry;

(jj) any other event covered as a default under any of the Sukuk Transaction Documents;

(kk) an attachment, sequestration, distress, execution (or analogous process) is levied or enforced upon or issued against any of the assets or property of the Issuer, if such attachment, sequestration, distress or execution (or analogous process) is:

  (i) in respect of a material portion of the assets or property of the Issuer; or

  (ii) over any assets or property of the Issuer which has a Material Adverse Effect on the Issuer, and, in each case, was not discharged within sixty (60) days;

(ll) any encumbrancer lawfully takes possession of, or a liquidator, judicial custodian, receiver, administrative receiver or trustee or any analogous officer is appointed in respect of the whole or any part of the undertaking or assets of the Issuer, or an attachment, sequestration, distress, execution (or analogous process) is levied or enforced upon or issued against any of the assets or property of the Issuer;

(mm) any claim for immunity occurs;

(nn) the Security created pursuant to the Security Documents and/or furnished by the Issuer ceases to be in full force and effect, or declared to be void or repudiated, or deteriorates in quality, or otherwise becomes inadequate in the sole judgement of the Sukuk Trustee (acting by way of an Extraordinary Resolution), to such extent that it is no longer sufficient for the purpose for which it was furnished, without adequate alternative security being made available immediately from the aforesaid communication by the Sukuk Trustee; and/or

(oo) any change in applicable laws (including the Prudential Regulations) which has a Material Adverse Effect.

7.12.2 ACTIONS UPON OCCURRENCE OF DISSOLUTION EVENT

1. Under Article 8.2.1 of the Declaration of Trust, upon occurrence of a Dissolution Event and if such Dissolution Event is not cured by the Issuer in accordance with the terms of the Declaration Trust, the Sukuk Trustee shall issue a Dissolution Notification to all Sukuk Holders with relevant details along with a notice for passing an Extraordinary Resolution of Sukuk Holders.

2. Under Article 8.3.1 of the Declaration of Trust, upon occurrence of a Dissolution Event and if so directed by an Extraordinary Resolution passed by Sukuk Holders as defined in Schedule 2 of Declaration of Trust, the Sukuk Trustee shall issue notice to the Issuer for payment of redemption amount of Sukuk Buy Out Price (Applicable Upon Termination).

3. Under Article 8.3.2 of the Declaration of Trust, if the Issuer fails to pay such amount, the Sukuk Trustee shall be entitled to enforce the security in accordance with the terms of the Declaration of Trust.

4. In the event the Sukuk Trustee fails to act as instructed by an Extraordinary Resolution, and upon such failure continuing for a period of fifteen (15) days from the date of the Sukuk Trustee being so instructed, the Enforcing Sukuk Holders[6], may issue the Notice for Payment of Buy Out Price (Applicable Upon Termination) to the Issuer and take all necessary actions in accordance with the terms and conditions of the Declaration of Trust.

Note: It is confirmed that all events of default mentioned in the security documents have been disclosed in this prospectus in the same manner as per the Declaration of Trust dated December 17, 2019.

7.13 QUORUM AND EXTRAORDINARY RESOLUTION

7.13.1 QUORUM

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[6] The term "Enforcing Sukuk Holders" means the Sukuk Holders together constituting the majority required to pass the Extraordinary Resolution in accordance with the provisions of the Declaration of Trust.

1. In terms of paragraph 5 of Schedule 1 of Declaration of Trust, at any meeting of Sukuk Holders one or more Sukuk Holders, proxies or representatives holding or representing in the aggregate not less than:

   (a) 75% (seventy five percent) of the face amount of the Sukuk for the time being Outstanding shall form a quorum for the transaction of business in relation to any of the Reserve Matters[7]; and

   (b) 51% (fifty one percent) of the face amount of the Sukuk for the time being Outstanding shall form a quorum for the transaction of business in relation to any matter under the Declaration of Trust other than the Reserve Matters,

   and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of the relevant business.

2. In terms of paragraph 6 of Schedule 1 of Declaration of Trust, if within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any such meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall if convened upon the requisition of Sukuk Holders be dissolved, in any other case it shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period, being not less than fourteen (14) clear days nor more than forty two (42) clear days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Sukuk Trustee). If within fifteen (15) minutes (or such longer period not exceeding thirty (30) minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Sukuk Trustee) dissolve such meeting or adjourn the same for such period, being not less than fourteen (14) clear days, and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Sukuk Trustee, and the provisions of this sentence shall apply to all further adjourned such meetings.

7.13.2 EXTRAORDINARY RESOLUTION

The expression **“**Extraordinary Resolution” used in the Declaration of Trust means:

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[7] “Reserve Matters” means, inter alia, matters under the Declaration of Trust relating to Security, Secured Properties, Security Documents, Buy Out Prices, Buy Out Price Payment Dates, partial release/vacation of the Security, collection mechanism under the Collection Agreement, any relaxations or concessions given in matters relating to compliance of financial covenants, change of Sponsor, Sponsor Change Redemption, Dissolution Events, Potential Dissolution Events, provisions for meetings of Sukuk Holders and/or any amendment in any of the Sukuk Documents in relation to the Reserve Matters, including the definition of “Reserve Matters”

(a) a resolution passed at a meeting of Sukuk Holders duly convened and held to decide any matter under the Declaration of Trust (including the Reserve Matters or non-Reserve Matters) in accordance with the Declaration of Trust by a majority of persons representing or holding in aggregate not less than eighty one percent (81%) of the face amount of the Sukuk for the time being Outstanding voting thereat upon a show of hands or if a poll is duly demanded by a majority of persons representing or holding in aggregate not less than eighty one percent (81%) of the face amount of the Sukuk for the time being Outstanding voting thereat on such poll; or

(b) a resolution in writing (either through written circulation or through email) by or on behalf of Sukuk Holders holding in the aggregate not less than: (i) sixty six percent (66%) of the face amount of the Sukuk for the time being Outstanding in relation to any Reserve Matter; and (ii) fifty one percent (51%) of the face amount of the Sukuk for the time being Outstanding in relation to any matter under the Declaration of Trust other than the Reserve Matters, which resolution in writing may be contained in one document or several documents in like form.

PART VIII

8 MANAGEMENT OF THE COMPANY

8.1 BOARD OF DIRECTORS OF THE COMPANY

Mr. Riyadh S.A.A Edrees	
Position	Chairman
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
Passport No.	P05588888
Directorship in other companies	1. Privatization Holding Company (Kuwait) 2. Meezan Bank Limited (Pakistan) 3. Ikarus Petroleum Industries (Kuwait) 4. Saudi International Petrochemical Company (Saudi Arabia) 5. Noor Financial Investment Company (Kuwait) 6. Noor Telecommunication (Kuwait) 7. Middle East Complex for Eng., Electronics & Heavy Industries Co. (Jordan) 8. Bunyah Fund of Kuwait Investment Co. (Bahrain) 9. Zouk Venture Limited (U.K.) 10. Markaz Energy Fund (Kuwait)
Syed Moonis Abdullah Alvi	
Position	Chief Executive Officer
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4220168861913
Directorship in other companies	None
Mr. Khalid Rafi	
Position	Independent Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4230107345429
Directorship in other companies	1. China Three Gorges South Asia Investment Ltd [8]
Mr. Adeeb Ahmad	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	9030393984497
Directorship in other companies	1. Al-Shaheer Corporation Limited 2. KES Power Limited

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[8] Pursuant to Companies Act 2017, directorship of GOP nominees and independent director does not fall under the definition of'associated companies'

	3. ICD Equity Partners Limited (Labuan) 4. Saudi SME Fund (Saudi Arabia) 5. Green Peak International, (Cayman Island) 6. Omar Peak International, (Cayman Island)
Chaudhary Khaqan Saadullah Khan	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4230146983577
Directorship in other companies	1. The Abraaj Group 2. Byco Petroleum Pakistan Limited
Dr. Ahmed Mujtaba Memon	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4230134573887
Directorship in other companies	1. NESPAK[8]
Mr. Jamil Akbar	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4230172696369
Directorship in other companies	Al-Shaheer Corporation Limited
Mr. Mubasher H. Sheikh	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	9030901069661
Directorship in other companies	1. Proclad Group Limited, Dubai 2. Sunrise Enterprises Private Limited 3. Ikarus Petroleum Industries (Kuwait)
Mr. Muhammad Abid Lakhani	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4230190099151
Directorship in other companies	1. The Abid Lakhani Group[8]
Mr. Ruhail Muhammad	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4230108954529
Directorship in other companies	1. Hub Power Holding Limited 2. Laraib Energy Limited 3. ThalNova Power Thar (Pvt.) Limited

Mr. Shan A. Ashary	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4230119948459
Directorship in other companies	None
Syed Asad Ali Shah Jilani	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	4230137736587
Directorship in other companies	1. Chairman Pakistan Refinery Limited
Mr. Waseem Mukhtar	
Position	Non-Executive Director
Address	KE House, 3rd Floor, 39-B, Sunset Boulevard, Phase-II, DHA, Karachi
CNIC No.	6110189851225
Directorship in other companies	None[8]

8.2 PROFILES OF DIRECTORS

8.2.1 MR. RIYADH S.A.A EDRESS, CHAIRMAN

With nearly 25 years of experience across the fields of Construction, Finance, Oil & Gas and Telecommunications and Academics, Mr. Riyadh currently serves as Chairman of Privatization Holding Company, Vice Chairman of Meezan Bank -Pakistan, Vice Chairman of Noortel and a board member in the following companies, Noor Financial Investment, Ikarus Petroleum Industries, Markaz Energy Fund, Kuwait Ceramic Company, Investment Committee of Bouniyan Fund of the Kuwait Investment Co., Middle East Complex for Eng., Electronics & Heavy Industries Company and Saudi International Petrochemical Company. He also currently serves as the Deputy Chief Executive Officer - Investments and Mega Projects, National Industries Group, Holding Kuwait, a group with which he has been involved for twenty years. Mr. Riyadh holds a BSc degree in Chemical Engineering from the University of Newcastle upon Tyon and an MSc in Chemical Engineering from Kuwait University.

8.2.2 SYED MOONIS ABDULLAH ALVI, CHIEF EXECUTIVE OFFICER

Mr. Moonis Alvi was appointed CEO and the Board member of the Company in June 2018. Mr. Alvi has more than 28 years of diversified experience in the finance industry, with a focus towards driving operational efficiencies, financial planning and capital restructuring. Mr. Alvi joined KE in 2008 and has served as KE's Chief Financial Officer, Company Secretary and Head of Treasury, and has played an integral role in the transformation of KE. He is a Fellow member of the Institute of Chartered Accountants of Pakistan.

8.2.3 MR. KHALID RAFI, INDEPENDENT DIRECTOR

Mr. Rafi is an Independent Director, elected at the AGM of the company held on October 8, 2012, and also Chairman of the Board Audit Committee. Mr. Rafi was a Senior Partner at A.F. Ferguson & Co., Chartered Accountants, a member firm of PricewaterhouseCoopers LLP, for 20 years. He was also the president of the Institute of Chartered Accountants of Pakistan and of Management Association of Pakistan. Mr. Rafi is a Chartered Accountant, being a Fellow at the Institute of Chartered Accountants in England and Wales.

8.2.4 MR. ADEEB AHMAD, NON-EXECUTIVE DIRECTOR

Mr. Ahmad's career spans over 30 years with premier multilateral, leading private equity firms and several international investment banks primarily in the Gulf region. He has held C-suite positions engaged in multi-sectoral asset management, private equity investments and M&A across multiple emerging markets, including Pakistan. He has raised and led several large funds, managed landmark investments, and led several M&A advisory assignments. His last role was as Senior Advisor to the CEO (& Deputy CEO-Designate) at Islamic Corporation for the Development of the Private Sector ("ICD") in Saudi Arabia. Mr. Ahmad holds an M.Sc. degree from the London School of Economics, United Kingdom, and an MBA from the Institute of Business Administration, Karachi, Pakistan. Other Engagements: Chairman, Al-Shaheer Corporation Ltd.

8.2.5 CHAUDHARY KHAQAN SAADULLAH KHAN, NON-EXECUTIVE DIRECTOR

Mr. Khan has been a Non-Executive Director of the Company since October 2015. Mr. Khan joined The Abraaj Group as a Director in 2015. Prior to this, he was an Investment Officer in the International Finance Corporation. Mr. Khan has also worked as an Investment Consultant in the Board of Investment, Government of Pakistan, and as a manager in Ernst & Young's Transaction Advisory Services group based in Chicago. He has previously served on the Boards of Agritech Limited and Shakarganj Food Products Limited. Mr. Khaqan holds a BA in Economics from Northwestern University, US, and is a CFA charter holder. Other Engagement: Director, The Abraaj Group; Byco Petroleum Pakistan Limited.

8.2.6 DR. AHMED MUJTABA MEMON, NON-EXECUTIVE DIRECTOR

Dr. Ahmed Mujtaba Memon represents the Government of Pakistan and was appointed on the Board of KE in June 2018. He is the Additional Finance Secretary in the Finance Division and has previously served as Director-General (IOCO) in the Federal Bureau of Revenue (FBR) as well as serving in various capacities at the Pakistan Customs Service. He has also worked with the Asian Development Bank on a project as the Secretary Trade Export Promotion and Industrialisation in the FBR. His academic qualifications include an MBBS, an MA (Economics) and an MBA (Finance). Other Engagements: Member – Board of Directors, NESPAK.

8.2.7 MR. JAMIL AKBAR, NON-EXECUTIVE DIRECTOR

Mr. Akbar has over 20 years multinational experience in General Management, Strategy, Real Estate Development, Private Equity and Turnarounds. His most recent role was Country Head and COO, Emaar Pakistan. Previously, he worked with the Abraaj Group on Pakistan investments, including an operational role in KE's turnaround. He has also been Chief Internal Auditor at GlaxoSmithKline Pakistan and began his career with KPMG UK. Mr. Akbar holds an MBA from INSEAD, is a Chartered Accountant from the Institute of Chartered Accountants in England & Wales (ICAEW) and holds a B.Eng. (Mechanical) from Imperial College (UK). Other Engagement: Director, Al-Shaheer Corporation Ltd.

8.2.8 MR. MUBASHER H. SHEIKH, NON-EXECUTIVE DIRECTOR

Mr. Sheikh has been a Non-Executive Director of the company since its privatisation in November 2005. He joined the National Industries Group (Holding), Kuwait, in 2001 and is currently Chief Financial Officer. He is also a Non-Executive Board Member in Proclad Group Limited, Dubai and a Board Member in Ikarus Petroleum Industries, Kuwait. He graduated with a degree in mathematics and statistics from the University of Punjab and is a Chartered Certified Accountant UK (FCCA). Other Engagements: Chief Financial Officer, National Industries Group, Kuwait. Board Member: Proclad Group Limited, Dubai; Ikarus Petroleum Industries, Kuwait.

8.2.9 MR. MUHAMMAD ABID LAKHANI, NON-EXECUTIVE DIRECTOR

A businessman by profession with forty years of experience, Mr. Abid Lakhani is the Chairman of The Abid Lakhani Group, a group which for over four decades has been involved in the fields of Construction, Education and Financial Services. He served as the Chairman of Platinum Commercial Bank (now known as Bank Islami), amongst various other senior positions over the course of his business career. A passionate philanthropist, Mr. Abid Lakhani, through the university he established (ILMA University), has disbursed over PKR 202 million in scholarships to various deserving students in search of higher education. With his involvement in the Real Estate and Construction sector, Mr. Abid Lakhani has enabled the creation of 12,000 residential and commercial units that range from luxury living to shopping complexes to middle income housing.

8.2.10 MR. RUHAIL MUHAMMAD, NON-EXECUTIVE DIRECTOR

Mr. Muhammad's career spans over 30 years in General Management, Business Development, Strategy, Financial Planning and People Development. He has held various C-suite positions in companies focused on a diverse range of activities from Chemicals to Energy to Polymer production. He is currently the CEO of Hub Power Holdings Ltd, a subsidiary of HUBCO, Pakistan's largest IPP. He is responsible for managing the growth portfolio of HUBCO, including existing coal-based power plants. Responsibilities include evaluating onshore & offshore acquisitions, project financing, economic evaluation of all growth projects and financial re-engineering to support the growth vision of the Company. Previously, he was the CEO of Engro Fertilizers from 2012-2018. He has served on the Boards of Engro Corp and various Engro subsidiaries including as Chairman of Engro Vopak and Engro LNG Terminal. In addition, he has also served on the Boards of Pakistan Institute of Corporate Governance, British Overseas School, KP Energy Board (PEDO) and as Chairman of Pakistan Mercantile Exchange Limited. He is a CFA Charter Holder and holds an MBA degree from Institute of Business Administration, Pakistan. He has attended the Advance Management Program at INSEAD as well as a Agri-Business certification from the Harvard Business School.

8.2.11 MR. SHAN A. ASHARY, NON-EXECUTIVE DIRECTOR

Mr. Ashary has been a Non-Executive Director of the Company since its privatisation in November 2005. He is a senior executive with over 40 years of proven success in managing international investments, operations of a large diversified group, finance, treasury, public accounting, and strategic and corporate planning. He is a Fellow of the Institute of Chartered Accounts of England and Wales. Other Engagements: Investment Adviser, Al-Jomaih holding Co. (Saudi Arabia).

8.2.12 SYED ASAD ALI SHAH JILANI, NON-EXECUTIVE DIRECTOR

Mr. Shah, a Chartered Accountant, has over 35 years of experience in governance, audit & assurance, consulting, financial advisory and tax services. Currently engaged in his own professional practice in the name of Asad Ali Shah Associates, Chartered Accountants, he was previously the Managing Partner of Deloitte Pakistan, a member of Deloitte Touche Tohmatsu LLC, one of the top four global professional services firms in the world. In addition, he serves as member of Prime Minister's Task Force on Austerity and Government Restructuring and as a member on the Policy Board of the Securities and Exchange Commission of Pakistan. He also chairs the board of Pakistan Refinery Limited. He also remained Advisor to Chief Minister Sindh on Finance, with status of Minister, President of the Institute of Chartered Accountants of Pakistan and member of International Federation of Accountants, the global body representing accounting profession on worldwide basis.

8.2.13 MR. WASEEM MUKHTAR, NON-EXECUTIVE DIRECTOR

Mr. Waseem Mukhtar represents the Government of Pakistan and was appointed as Non-Executive Director on the Board of KE in April 2019. With more than 25 years of experience at the Provincial and Federal Government levels, covering policy implementation and formulation in the arena of corporate management, public financial management, project management and public service delivery, Mr. Mukhtar currently serves as Additional Secretary, Power Division, Government of Pakistan. Mr. Mukhtar has previously served as Managing Director of Utility Stores Corporation and National Fertilizer Marketing Limited.

8.3 PROFILES OF KEY MANAGEMENT

8.3.1 MR. DALE SINKLER, CHIEF GENERATION AND TRANSMISSION OFFICER

Mr. Dale Sinkler brings over 25 years of experience in the power sector ranging from energy sector reforms to development, execution, operations and management across multiple power plants. He has worked with some of the world's largest power companies and has served as the Co-founder of O&M Solutions. He has previously served as Senior Vice President of Southeast Asia for Globeleq and has spent 15 years with the AES Corporation as Chief Executive Office for multiple AES businesses including AES Lalpir, AES Pakgen, AES Haripur, and AES Meghnaghat. Prior to that, he also served as a consultant in the Generation and Transmission portfolio for KE.

Mr. Sinkler envisions an energy infrastructure which links power generation to consumption in real time. He is a frequent contributor to power sector reforms in emerging markets. His presence of 15 years in this part of the world is a testament to his dedication to Asia's emerging markets and particularly Pakistan.

8.3.2 MR. AMER ZIA, CHIEF DISTRIBUTION OFFICER

Mr. Amer Zia is the Chief Distribution Officer, leading a team of over 7,000 employees. Prior to this, Mr. Zia has worked in the private sector with USAID-Power Distribution Program, as well as in key leadership positions within public sector organizations including NEPRA and IESCO. He has also served as an independent consultant with the World Bank through the Competition Commission of Pakistan.

Mr. Zia has remained part of the management team responsible for the successful turnaround of KESC (now KE), as Deputy Chief Operating Officer Distribution, and most recently as Chief of Distribution Operations.

He has a bachelor's degree in Electrical Engineering from UET Peshawar, a master's degree in Electrical Engineering from Bradley University USA, and an MBA in Project Management. He also speaks at national and international forums about power sector management and governance and lectures at WAPDA Power Distribution Academy.

8.3.3 MR. MUHAMMAD AAMIR GHAZIANI, CHIEF FINANCIAL OFFICER

Mr. Aamir Ghaziani has more than 20 years of experience in areas of accounting, financial management, risk management, policy reforms, regulatory compliance and business turnarounds. He joined KE in 2008 and has played a key role in driving KE's turnaround over this decade. Prior to becoming KE's Chief Financial Officer, he has also led KE's corporate planning and regulatory compliance function.

Mr. Ghaziani started his career in 1999 at A.F. Ferguson & Co. which is a member firm of PriceWaterhouseCoopers (PwC) and has also served at CTTL, a leading LDI Telecom operator in various roles including as Financial Controller and Chief Commercial Officer.

He is a fellow member of the Institute of Chartered Accountants of Pakistan (ICAP) and has also attended executive management programmes at INSEAD and other prestigious institutions.

8.3.4 MR. RIZWAN DALIA, CHIEF PEOPLE OFFICER

Mr. Muhammad Rizwan Dalia was appointed as Chief People Officer in March 2018. In addition, he serves as the Company Secretary reporting to the Board of Directors. He joined KE in 2008 and has served in senior roles in the Finance and Corporate Affairs functions, playing a key role in driving KE's turnaround over this decade.

Mr. Dalia did his Articleship from A. F. Ferguson & Co. (a member firm of PricewaterhouseCoopers), and worked at Pakistan State Oil from 2001 to 2007 in diverse roles in the Finance function. Mr. Dalia is a Fellow of the Institute of Chartered Accountants of Pakistan and is also a Certified Director from the Pakistan Institute of Corporate Governance.

8.3.5 MAHREEN AZIZ KHAN, CHIEF MARKETING AND COMMUNICATION OFFICER

Mahreen Aziz Khan has over 19 years of experience in strategic communications, media, public policy and stakeholder management. She has previously worked with the World Bank and Australian Aid with a focus on advocacy and communications for public policy delivery. She has worked with local and international media, most notably BBC World Television, and has also held key positions in a variety of public and private entities including the United Nations in Kosovo.

Mahreen Khan has a Barrister-At-Law from Cambridge University and a Master's in Public Policy (MPP) from Harvard University's Kennedy School of Government. She has specialised in Strategic Management of Organisations, Political Advocacy & Leadership, Media and Politics.

8.3.6 MR. RIZWAN PESNANI, HEAD OF TREASURY AND CORPORATE FINANCE

Mr. Rizwan Pesnani is the Head of Treasury and Corporate Finance of KE since November 2013. Prior to joining KE, he worked for Industrial Promotion Services (Kenya) Ltd. [IPS Kenya] for two years. IPS Kenya is an Infrastructure Development arm of Aga Khan Fund for Economic Development (AKFED) in East Africa.

He has also worked with State Bank of Pakistan for three years as Director Infrastructure and Housing Finance. He has been associated with the power sector for the major part of his professional career that spans 23 years. He is a fellow member of the Institute of Chartered Accountants of Pakistan.

8.3.7 MR. ASIF RAZA, CHIEF INTERNAL AUDITOR

Asif Raza has over 22 years of diversified experience in the field of audit, finance and risk management. He joined KE in 2007 and served as General Manager, Deputy Director and Director in internal audit department of KE prior to his existing role. Before KE, he also worked for PSO and Saudi Basic Industries Corporation (SABIC). He is a fellow member of the Institute of Chartered Accountants of Pakistan and a Certified Internal Auditor from IIA-USA.

8.3.8 NAZ KHAN, CHIEF STRATEGY OFFICER

Ms Khan is a seasoned professional with over 25 years of experience across both financial services and industry. Prior to joining KE, she was the Managing Director of X-Petroleum and has also served as Chief Financial Officer of Engro Corporation at a time when the company saw a series of restructurings, divestitures and IPOs of subsidiaries as well as growth through two landmark projects of LNG Terminal and Thar Coal and Power. Prior to Engro, Ms Khan was the Chief Executive Officer of KASB Funds Limited. Her association with Pakistan's capital markets spans over 20 years where she was actively involved in the primary and secondary markets for debt and equity. She currently serves on the Boards of Shell Pakistan, Pakistan Stock Exchange, Fauji Fertilizer Bin Qasim and UBL Fund Managers amongst others. Ms Khan has a Bachelor’s degree in Economics from Mount Holyoke College, USA.

8.4 POWER OF DIRECTORS

As required under section 183 of the Companies Act 2017, and the Articles of Association of the Company, the authority to conduct business of the Company is vested with its Board of Directors and they may exercise all such powers of the Company as are not required, by the Companies Act 2017 or the Articles of Association of the Company or by a special resolution to be exercised by the Company in the general meeting of the shareholders.

8.5 NUMBER OF DIRECTORS

Pursuant to Section 154 of the Companies Act, 2017, a listed Company shall not have less than seven (7) directors. At present, the Board consists of 13 directors, including the Chief Executive Officer.

8.6 QUALIFICATION OF DIRECTORS

No person shall be appointed as a Director of the Company who is ineligible to be appointed as Director on any one or more of the grounds enumerated in Section 153 of the Companies Act or any other law for the time being in force.

8.7 ELECTION OF DIRECTORS

The Directors shall comply with the provisions of Sections 154 to 159, 161 and 167 of the Companies Act 2017 relating to the election of Directors and matters ancillary thereto. The thirteen (13) Directors of the Company were elected/nominated effective July 30, 2019. The Board of Directors of the Company in exercise of powers vested in it through Section 161(2) of the Companies Act 2017, has made appointment of Directors in order to fill in the casual vacancies occurred from time to time for the remainder of the three-year term.

8.8 REMUNERATION OF DIRECTORS

Pursuant to Section 170 of Companies Act 2017 and in exercise of powers vested through Article 61 of Articles of Association of the Company, the remuneration of a Director for attending meetings of the Board or a Committee formed by the Board shall be PKR 100,000/- for each meeting attended by him, or such other amount as may be prescribed by the Board. Chairman of Board of Directors and Chairman of all Board Committees formed by the Board shall be paid an additional fee amounting to PKR 50,000 for each meeting attended by him.

8.9 INTEREST OF DIRECTORS ALONG WITH NUMBER AND VALUE OF SHARES HELD

The Directors may be deemed to be interested to the extent of fees payable to them for attending Board meetings. The Directors performing whole time service to the Company may also be deemed to be interested in the remuneration payable to them by the Company. The Directors may also be deemed to be interested to the extent of any shares held by each of them in the Company and/or the Sukuk applied for and allotted to them through the public Issue.

8.10 INTEREST OF DIRECTORS IN PROPERTY/ASSET AND PROFIT OF THE COMPANY

None of the Directors of the Company had or has any interest in any property acquired by the Company within the last two years.

8.11 BENEFITS TO PROMOTERS AND OFFICERS

No benefit has been given or is intended to be given by the Company to the promoters and officers of the Company other than remuneration for services rendered by them as full-time executives of the Company.

8.12 VOTING RIGHTS

The Sukuk shall not carry any voting rights in relation to the Company.

8.13 BORROWING POWERS OF DIRECTORS

The Directors may from time to time raise or borrow any sum or sums of money or make any arrangement for finance for the purpose of the Company. The Director may raise or secure the payment of such sum or sums or financial arrangement in such manner and upon such terms and conditions in all respects as they think fit and in particular by making, drawing, accepting or endorsing on behalf of the Company any promissory notes or bills of exchange or by issuing bonds, perpetual or redeemable debentures or debenture stock or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future) but no such charge shall be created on unpaid capital of the Company.

8.14 INDEMNITY AVAILABLE TO DIRECTORS AND OTHER EMPLOYEES OF THE COMPANY

Pursuant to Article 25 of KE Articles of Association, if Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or person so becoming liable aforesaid from any loss in respect of such liability.

8.15 BOARD AUDIT COMMITTEE

The Board Audit Committee comprises the following members:

1. Khalid Rafi, Chairman
2. Ch. Khaqan Saadullah Khan, Member
3. Mubasher H. Sheikh, Member
4. Syed Asad Ali Shah Jilani, Member

8.16 BOARD HUMAN RESOURCE & REMUNERATION COMMITTEE

The Board Human Resource and Remuneration Committee comprises the following members:

1. Khalid Rafi, Chairman
2. Ch. Khaqan Saadullah Khan, Member
3. Shan A. Ashary, Member
4. Syed Moonis Abdullah Alvi, Member

8.17 CORPORATE GOVERNANCE

The Company makes all out efforts to comply with the applicable rules and regulations inter alia including Listed Companies (Code of Corporate Governance) Regulation, 2019. Further, statement of compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017 for the year ended June 30, 2018 is mentioned in the annual report of the Company.

PART IX

9 LEGAL PROCEEDING, OVERDUE LOANS & CONTINGENCIES

9.1 LEGAL PROCEEDINGS

1. The Multi Year Tariff (MYT) applicable to the Company, for the previous tariff control period from 2009 to 2016, outlines a claw-back mechanism whereby the Company is required to share a portion of its profits with consumers when such profits exceed the stipulated thresholds. NEPRA vide its determination orders dated October 17, 2014, June 10, 2015, July 24, 2018 and November 1, 2018 has determined claw-back amount of Rs. 43,601 million for the financial years 2012 to 2016.

   The Company is not in agreement with the interpretation and calculation of claw back mechanism performed by NEPRA, and accordingly has filed suits in the High Court of Sindh, praying that while finalising the claw-back determination in respect of the financial years 2012 to 2016, NEPRA has mis-applied the claw-back formula as prescribed in the MYT determination dated December 23, 2009. Amongst others, NEPRA has unlawfully included ‘accumulated losses’ as part of reserve, has not taken into account ‘surplus on revaluation of property, plant and equipment’ and has calculated the claw-back on notional Earnings Before Interest and Tax (EBIT) instead of EBIT based on audited financial statements. On June 19, 2015, in respect of suit for financial years 2012 and 2013, the High Court of Sindh (Single Bench) passed an order suspending the earlier relief granted to the Company against implementation of NEPRA’s order dated October 17, 2014, which was duly contested by the Company through an appeal before the High Court of Sindh (Divisional Bench), the adjudication of which is pending to date. The decision dated June 19, 2015 has been suspended and interim relief against implementation of NEPRA’s order dated October 17, 2014 continues. Further, in other suits filed in respect of financial years 2014 to 2016, the interim relief provided to the Company against NEPRA’s order for each year continues in the field.

   Considering the above proceedings and the expert opinion obtained by the Company, the Company's management considers that the Company has a good case and expects favorable outcome of the suits pending before the High Court of Sindh. Without prejudice to the Company’s aforementioned legal position and on the basis of abundant caution, a provision amounting to Rs. 25,232 million is being maintained by the Company in these financial statements, in this respect.

2. On January 22, 2015, NEPRA issued an order directing the Company to discontinue charging of meter rent to the consumers and refund the total amount collected to the consumers and also imposed a fine of Rs. 10 million, on the Company. The Company filed a review application to NEPRA against the aforementioned order and challenged the order on various grounds including that the direction issued by NEPRA is ultra vires and also that NEPRA has ignored certain provisions of its own rules and regulations which allows the Company to charge meter rent from its consumers. The review application filed by the Company with NEPRA was dismissed in April 2015. Thereafter, the Company filed a constitutional petition before the High Court of Sindh,

which is pending to date. Meanwhile, a stay has been granted to the Company against any coercive action by NEPRA. The Company's management in accordance with the advice of its legal advisor expects a favorable outcome of the above-mentioned constitutional petition. However, on the basis of prudence and as an abundant caution, the Company carries a provision of Rs. 326 million in these financial statements on account of meter rent charged from January 22, 2015 up to June 30, 2016. Further, NEPRA has excluded meter rent from "Other Income" component of tariff in the MYT decision effective from July 1, 2016; accordingly there is no dispute between the Company and NEPRA on the matter of meter rent with effect from July 1, 2016.

3. NEPRA through its order dated March 13, 2015 directed the Company not to collect bank charges as a separate revenue from its consumers through monthly billings, as these bank charges were already included in the MYT 2009–16 as part of operations and maintenance cost. NEPRA further directed the Company to refund the amount collected as bank charges to its consumers. The Company refuted NEPRA's aforementioned order and filed a review petition which was rejected by NEPRA through its review decision dated October 27, 2015. Thereafter, the Company filed a suit on November 10, 2015, before the High Court of Sindh which is pending to date. Meanwhile, through an interim order dated November 17, 2015 by the High Court of Sindh, NEPRA has been restrained from taking any coercive action against the Company in this regard. The Company, is of the view that such charges were being collected from the customers as per the directives of the State Bank of Pakistan and as per NEPRA's approval dated July 21, 2010 issued in this regard and these were never made part of MYT 2009–16. Therefore, in accordance with the advices obtained from its legal advisors, the Company is confident of a favorable outcome on this matter, and accordingly, no provision has been recognised in this respect. Further, NEPRA has separately included bank charges in the operations and maintenance' component of tariff in the MYT Decision effective from July 1, 2016; accordingly there is no dispute between the Company and NEPRA on the matter of bank charges with effect from July 1, 2016.

4. The Supreme Court of Pakistan, in its judgment dated August 22, 2014, in a civil appeal, declared that the levy of Gas Infastructure Dovelopment Cess (GIDC) under Gas Infrastructure Development Cess Act, 2011 was unconstitutional and all amounts collected by the gas companies were due to be refunded back to the consumers. The Federal Government on September 24, 2014, promulgated Gas Infrastructure Development Cess (GIDC) Ordinance, 2014. Under that Ordinance, the Federal Government again levied GIDC chargeable on gas consumers (both power sector and industrial sector) other than domestic consumers and also fixed the responsibility of charging and collection of GIDC on gas companies. This GIDC Ordinance, retrospectively, validated the cess collected / levied or paid under the previous Gas Infrastructure Development Cess Act, 2011 which had been held illegal by the Supreme Court of Pakistan.

   In October 2014, SSGC in its monthly bills issued to the Company, claimed GIDC amounting to Rs. 1,925 million, excluding sales tax, for the period from July to September 2014. The Company filed a fresh legal suit before the High Court of Sindh. The High Court of Sindh through its order dated October 21, 2014, granted stay and restrained the Federal Government and SSGC from raising any demand which continues till date. The GIDC Ordinance lapsed on January 24, 2015, and therefore all amounts previously paid by the Company to SSGC amounting to Rs. 4,672 million in respect of GIDC became immediately due and recoverable from SSGC.

On May 23, 2015, the GOP after approval from the parliament, promulgated GIDC Act 2015 again levying cess on gas consumers and made the gas companies responsible to collect the cess. The Company again filed a suit in the High Court of Sindh challenging the GIDC Act 2015 and through its counsel maintains that certain grounds were not taken into consideration while promulgating GIDC Act 2015. The High Court of Sindh while granting stay issued notices to the respondents and restrained SSGC from raising any demand under the GIDC Act 2015.

Single bench of the High Court of Sindh through its judgment (by consolidating all similar cases) dated October 26, 2016 held the GIDC Act 2011, GIDC Ordinance 2014 and GIDC Act 2015 to be ultra vires and un-constitutional and held that the amounts collected in pursuance of the above laws is liable to be refunded / adjusted in the future bills. Subsequently, GOP filed an appeal before the divisional bench of the High Court of Sindh challenging the above judgment (in respect of few other parties), whereby the decision of the single bench was suspended by the divisional bench of the High Court of Sindh on November 10, 2016.

Subsequent to the year ended June 30, 2019, High Court of Peshawar ruled that the 2015 GIDC Act was constitutional. Aggrieved parties filed an appeal thereagainst before the Supreme Court of Pakistan to challenge the said decision. The Company was impleaded as a party in the said appeal on the basis of its Intervenor Application.

The Company’s counsel argued that the levy of GIDC through the GIDC Act of 2015 was unconstitutional as there was no element of quid pro quo in reciprocity of the fee being charged. The Company’s counsel further argued that since the judgment and decree passed by the High Court of Sindh in the Company's suit has not challenged consequently the same becomes a past and closed transaction. Further, any rights accrued in favour of the Company on the basis of such judgment and decree could not be affected by any decision the Supreme Court comes to in the instant proceedings. The Supreme Court has heard the appeal and the case is now reserved for judgement.

In the eventual outcome, the amount payable by the Company, if any, on account of GIDC will be ultimately recovered through MYT as a pass through item.

5. As part of MYT decision, NEPRA through its order dated July 5, 2018, directed the Company to pay interest on security deposit collected from consumers. However, the Company, disagrees with the direction of NEPRA, being without any lawful justification and discriminatory as no other power utility in Pakistan is required to pay interest on security deposit. Accordingly, the Company filed a constitutional petition in the High Court of Sindh on May 30, 2019. The High Court of Sindh through its order dated May 30, 2019 has restrained NEPRA from taking any coercive action against the Company. Based on the advice of the legal advisor, the Company’s management expects a favorable outcome of the above mentioned constitutional petition. However, on the basis of prudence and as an abundant caution, a provision amounting to Rs. 1,036 million (2018: Rs. 631 million) has been recognised in this respect.

9.2 OVERDUE LOANS & CONTINGENCIES

1. Mark-up on overdue balances with National Transmission and Dispatch Company (NTDC) / Central Power Purchasing Agency (Guarantee) Limited (CPPA), major government owned power supplier, has not been accrued in these financial statements. With effect from June 2015, CPPA has assumed the central power purchase division of NTDC along with the related assets, rights and liabilities of NTDC, including alleged receivables from the Company. The Company is of the view that in accordance with the mechanism defined in the Power Purchase Agreement (PPA) dated January 26, 2010 with NTDC, NTDC's dues are to be settled by the Ministry of Finance (MOF) through payment of the Company's tariff differential claims directly to NTDC. Up to June 30, 2019, the MOF has released the Company's tariff differential claims aggregating Rs. 392,942 million directly to NTDC / CPPA. Additionally, the Company has directly paid Rs. 43,475 million up to June 30, 2019 to NTDC / CPPA on account of its outstanding dues on an agreed mechanism. The PPA with NTDC has expired on January 25, 2015. However, the supply of electricity of 650 Megawatts (MW) continues in line with the High Court of Sindh's order dated February 6, 2014. Accordingly, to date NTDC / CPPA continues to raise invoices in line with the terms of PPA. Discussions with NTDC / CPPA are underway for the renewal of PPA.
2. On June 22, 2018, NTDC / CPPA filed a suit in the Civil Court of Islamabad for recovery of Rs. 83,990 million up to May 2018, comprising of principal amounting to Rs. 66,347 million and mark-up thereon amounting to Rs. 17,643 million, the decision of which is pending to date. Within the alleged claims filed by NTDC / CPPA in the aforementioned suit, release of tariff differential claims amounting to Rs. 15,021 million was unilaterally adjusted by NTDC / CPPA against the disputed mark-up claim. This was subsequently corrected by NTDC / CPPA and adjusted against the principal balance (resulting in decrease in principal amount with corresponding increase in mark-up), as confirmed from invoices and correspondence received afterwards. NTDC / CPPA's markup claim upto June 30, 2019 amounts to Rs. 42,875 million which is on the premise that while the outstanding amounts were to be adjusted against tariff differential claims, the Company is eventually responsible for payments of all outstanding amounts, including mark-up. However, the Company has not acknowledged the disputed mark-up claimed by NTDC / CPPA as debt, as the Company is of the view that the disputed mark-up claims would not have arisen in case tariff differential claims payments, including payments related to claims of unrecovered cost due to 4% capping and gas load management plan were released to NTDC / CPPA by the MOF on behalf of the Company on timely basis.
3. In addition to above, the mark-up claimed by Sui Southern Gas Company Limited (SSGC) through its monthly invoices from July 2010 to June 2019 aggregates to Rs. 76,281 million, which has not been accrued by the Company. In view of the Company, the unilateral reduction of gas by SSGC in year 2009-10, in violation of the Economic Coordination Committee (ECC) allocation and Head of Term Agreement dated July 31, 2009, led to increased consumption of furnace oil, which coupled with non-payment by government entities, as more fully explained below, significantly affected the Company's liquidity and hence the mark-up claim is not tenable.
4. In the year 2013, SSGC filed a Suit against the Company, in the High Court of Sindh for recovery of unpaid gas consumption charges and interest thereon and the damages amounting to Rs.

45,705 million and Rs. 10,000 million, respectively. The Company also filed a suit, against SSGC in the High Court of Sindh for recovery of damages / losses of Rs. 59,600 million resulting from SSGC's failure to comply with its legal obligation to supply the allocated and committed quantity of 276 MMCFD of natural gas to the Company. The cases were fixed for hearing on October 7, 2019 and adjourned to date in office. The earlier stay granted to SSGC against the Company is vacated on October 07, 2019, against which SSGC has filed an appeal in the High Court of Sindh.

5. Further, the Company entered into a payment plan with SSGC in the year 2014 and subsequently renewed the plan in years 2015 and 2016, which provided for a mechanism for payment of principal arrears by the Company on supply of adequate gas by SSGC. The dispute of mark-up claim has also been mentioned in the payment plan. The Company's management is of the view that the principal payments made by the Company to SSGC have been unilaterally adjusted by SSGC against SSGC's disputed mark-up claim, which is in violation of the payment plan which clearly mentions that the payments are to be adjusted against outstanding principal balances and hence any adjustment against the mark-up by SSGC in the Company's view is not tenable.

The Company's management believes that overdue amounts have only arisen due to circular debt situation caused by delayed settlement of tariff differential claims by the MOF as well as delayed settlement of the Company's energy dues by certain public sector consumers (e.g KW&SB), the dues of which have been guaranteed by the GoP under the Implementation Agreement dated November 14, 2005 and amended through the Amended Agreement dated April 13, 2009 ("IA") and Government of Sindh departments and entities (GoS Entities). Given that NTDC / CPPA and SSGC are majorly owned and controlled by the GoP and considering that tariff differential claims and energy dues of KW&SB (guaranteed by the GoP under the Implementation Agreement) are the Company's receivables from the GoP and energy dues of GoS Entities are also receivable from GoS, the Company's management is of the view that the settlement of these outstanding balances will be made on a net basis. Further, this contention of the Company's management is also supported by the legal advices that it has obtained. Hence, mark-up / financial charges will be payable by the Company only when it will reciprocally receive mark-up on outstanding balances receivable from the Company's outstanding tariff differential claims and energy dues of public sector consumers. Without prejudice to the aforementioned position of the Company and solely on the basis of abundant caution, a provision amounting to Rs. 5,269 million is being maintained by the Company in these financial statements on account of mark-up on delayed payment.

9.3 CLAIMS NOT ACKNOWLEDGED AS DEBT

A claim amounting to Rs. 73 million, was lodged by Pakistan Steel Mills Corporation (PASMIC) in respect of right of way charges for transmission line passing through the premises of PASMIC. The said claim has been calculated on the basis of the minutes of the meeting held on July 19, 1994, wherein, the key terms were subject to approval of the Company and PASMIC, which was not duly approved.

The Company vide its letter dated June 27, 2007 refuted the aforementioned claim of PASMIC on the grounds that as per section 12 and section 51 of the Electricity Act, 1910, any licensee is permitted to lay down or place electric supply lines with the permission of local authority or the occupier of that land, subject to conferment of powers under Part III, of the Telegraph Act, 1885. Moreover, public utility is also barred from payment of annual rentals to any authority under the Electricity Act, 1910 and that the claim is time barred. Further, the Company was issued license from provincial government and all concessions and permissions for such exemptions are provided in the license. Based on the above mentioned facts, the Company is not liable to pay any amount, whatsoever, in this regard and therefore has not acknowledged the aforementioned claim as debt.

The Company is party to number of cases in respect of fatal injuries, billing disputes, property tax, water charges, custom duty, occupancy charges, ground rent, rent of electric poles and cable and employee related cases. Based on the opinion of Company's lawyers, the management is confident that the outcome of the cases will be in favour of the Company. Accordingly, no provision has been made in respect of these cases / claims in these financial statements:

Claims Description (in PKR '000)	**FY18**	**FY19**
Fatal accident cases	77,773	77,773
Architect's fee in respect of the Head Office project	50,868	50,868
Outstanding dues of property tax, water charges, custom duty, ground rent and occupancy value	8,587,443	9,389,983

The Company does not have any legal proceedings other than related to Company's normal course of business and that could have material impact on the company. Based on the opinion of the Company's legal counsel, the management believes that the outcome of these cases will most likely be in favour of the Company.

PART X

10 UNDERWRITING ARRANGEMENT, COMMISSION, BROKERAGE AND OTHER EXPENSES

10.1 FEES AND EXPENSES FOR CENTRALISED E-IPO (CES) SYSTEM

The commission on application received through CES will be paid to CDC, which shall not be more than 0.8% of the amount of successful applications. CDC will share the fee with other participants of CES at a ratio agreed amongst them.

10.2 COMMISSION TO THE BANKERS TO THE ISSUE

A commission at the rate of 0.25% of the amount collected, in respect of successful applications will be paid to the Bankers to the Issue for services to be rendered by them in connection with the IPO.

10.3 BROKERAGE COMMISSION

Brokerage shall be paid to the TREC holders of PSX, at the rate of 0.25% of paid-up value of Sukuk actually sold through them.

10.4 EXPENSES TO THE ISSUE

The initial expenses of the issue paid or payable by the Company inclusive of commission to the Bankers to the Issue and members of the PSX, etc. are estimated to be as follows:

Expenses to the Issue	Rate	Amount (PKR)
Commission to the Bankers to the Issue including Out of Pocket Expenses	0.25%	2,265,000
E-IPO Services*	0.80%	5,168,000
E-IPO Charges of Banks		1,750,000
Commission to the TREC Holders of PSX	0.25%	3,230,000
Consultant to the Issue Fee		6,000,000
Trustee Fee	p.a.	1,500,000
Rating Fee		2,500,000
Transaction Legal Counsel		3,250,000
Issuer Legal Counsel		1,250,000
Structuring Agent fee		237,080,000
Collection Agent fee	p.a.	2,500,000
Shariah Structuring fee and Shariah Board Member fee		10,000,000
CDC Annual Fee for Eligible Security	p.a.	850,000
CDC Fresh Issue Fee		1,000,000
PSX Initial Listing Fee		500,000
PSX Annual Listing Fee		50,000
SECP Processing Fee		100,000
SECP Supervisory Fee		55,000
SECP fees for Shariah Compliant Certificate		10,000

Auditors for preparation of various certificates		750,000
Printing, Publication of Prospectus / Application Forms		6,000,000
Marketing		7,500,000
Balloter & Share Registrar Fee etc.		5,330,000
Market Making (first year)		2,000,000
Miscellaneous Costs		2,000,000
Total		**302,638,000**

Note: Stamp duty fee (if any) will be paid as per applicable law

All fees are excluding Sales Tax/FED

* CDC E-IPO fee is 0.8% of the general portion. The Actual cost is dependent on the subscriptions received through E-IPO.

PART XI

11 MISCELLANEOUS INFORMATION

11.1 REGISTERED OFFICE/CORPORATE OFFICE

Address: KE House, 39 B, Sunset Boulevard, Phase II, DHA, Karachi
Tel: 021-32637133, 111-537-211
Fax: 021-99205165
Website: wwe.ke.com.pk

11.2 BANKERS TO THE COMPANY

S. No	Name
1	Allied Bank Limited
2	Askari Bank Limited
3	Bank Alfalah Limited
4	Bank AL Habib Limited
5	Bank Islami Pakistan Limited
6	Bank of Punjab
7	Bank of China Limited, Shanghai Branch
8	Dubai Islamic Bank Pakistan Limited
9	Faysal Bank Limited
10	First Women Bank Limited
11	Habib Bank Limited
12	Industrial & Commercial Bank of China Limited (Pakistan Branch)
13	Industrial & Commercial Bank of China (China Office)
14	JS Bank Limited
15	MCB Bank Limited
16	MCB Islamic Bank Limited
17	Meezan Bank Limited
18	National Bank of Pakistan
19	Samba Bank Limited
20	Soneri Bank Limited
21	Standard Chartered Bank (Pakistan) Limited
22	Standard Chartered Bank (UK)
23	Summit Bank Limited
24	United Bank Limited

11.3 BANKERS TO THE ISSUE

1. Askari Bank Limited
2. Bank AL Habib Limited
3. Bank Alfalah Limited

4. Bank Islami Pakistan Limited
5. Dubai Islamic Bank Pakistan Limited
6. Faysal Bank Limited
7. Habib Bank Limited
8. Habib Metropolitan Bank Limited
9. MCB Bank Limited
10. MCB Islamic Bank
11. Meezan Bank Limited
12. Soneri Bank Limited
13. United Bank Limited

11.4 AUDITORS OF THE COMPANY

A.F. Ferguson & Co.
State Life Building No. 1-C,
I.I. Chundrigar Road, Karachi
Tel: 32426682-6/ 32426711-5
Fax: +92 (21) 32415007/32427938
Website: www.pwc.com

BDO Ebrahim & Co.
2nd Floor, Block-C,
Lakson Square, Building No. 1,
Sarwar Shaheed Road, Karachi
Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
Website: www.bdo.com.pk

11.5 LEGAL COUNSEL OF THE COMPANY

Mohsin Tayebaly & Company
Dime Centre, Khayaban-e-Iqbal,
Block 9, Clifton, Karachi, Sindh
Tel: (92-21) 111-682-529
Fax: (92-21) 35870240
Website: http://mtclaw.com.pk

11.6 LEGAL COUNSEL TO THE ISSUE

HaidermotaBNR & Co.
Barristers at Law & Corporate Counsellors
Karachi Office: D-79, Block 5, Clifton, Karachi 75600
Tel: 021-111 520 000
Fax: 021-35871054
Website: www.hmcobnr.com.pk

11.7 TRUSTEE TO THE ISSUE

Pak Brunei Investment Company Limited
Horizon Vista, Commercial 10,
Block No. 4, Scheme No. 5, Clifton, Karachi.
Tel: (92-21) 35361215-19
Fax: (92-21) 35361213, 35370873
Website: www.pakbrunei.com.pk

11.8 CONSULTANT TO THE ISSUE

Arif Habib Limited
Arif Habib Center
23, MT Khan Road, Karachi
Tel: 021-3246 5891
Fax: 021-3246 5891
Email: dabeer.hasan@arifhabibltd.com
Website: www.arifhabibltd.com

11.9 COMPUTER BALLOTER AND SHARES REGISTRAR

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block B, S.M.C.H.S.
Main Shahrah-e-Faisal, Karachi
Tel: +92 (021) 111 111 500
Website: http://cdcpakistan.com/

PART XII

12 MATERIAL CONTRACTS AND DOCUMENTS RELATED TO THE ISSUE

12.1 INVESTORS AGREEMENT

S. No	Pre-IPO Investors	Amount (PKR '000)	Agreement Date
1	Agri Auto Industries Limited Employees Provident Fund	2,000	26-Dec-19
2	Al Baraka Bank (Pakistan) Limited	500,000	26-Dec-19
3	Al Baraka Bank Pakistan Limited – Staff Provident Fund	50,000	26-Dec-19
4	Allied Bank Limited	600,000	26-Dec-19
5	Askari Bank Ltd.	1,000,000	27-Dec-19
6	Bestway Foundation	250,000	26-Dec-19
7	Byco Petroleum Ltd Employees Provident Fund	5,000	26-Dec-19
8	CDC Trustee Meezan Balanced Fund	200,000	26-Dec-19
9	CDC Trustee Meezan Islamic Income Fund	400,000	26-Dec-19
10	CDC Trustee Meezan Tahafffuz Pension Fund-Debt Sub Fund	40,000	26-Dec-19
11	Dawood Family Takaful Limited	300,000	26-Dec-19
12	Descon Oxychem Limited employees provident fund trust	500	26-Dec-19
13	Descon Power Solutions (Pvt) Limited Staff Provident Fund Trust	3,000	26-Dec-19
14	Engro Corporation Limited Provident Fund	31,000	26-Dec-19
15	Engro Corporation Limited Provident Fund	84,000	27-Dec-19
16	Engro Fertilizer Limited NMPT Employees Gratuity Fund	5,000	26-Dec-19
17	Government of Sindh - Provincial Pension Fund	1,875,000	30-Dec-19
18	Gul Ahmed Textile Mills Ltd. Employees Provident Fund Trust	14,000	26-Dec-19
19	Habib Bank Limited	5,000,000	27-Dec-19
20	Hilal Group Employees Provident Fund	5,000	26-Dec-19
21	ICI Pakistan Limited Management Staff Gratuity Fund	48,000	26-Dec-19
22	Inspectest Private Limited Employees Provident Fund Trust	200	26-Dec-19
23	Jubilee Life Insurance Company Limited	1,250,000	26-Dec-19
24	K- Electric Employees Gratuity Fund	78,000	26-Dec-19
25	Karachi Electric Provident Fund	172,000	26-Dec-19
26	NAFA Islamic Pension Fund Debt Sub Fund Account	10,000	26-Dec-19
27	National Bank of Pakistan	5,000,000	26-Dec-19
28	NBP Financial Sector Income Fund	492,300	26-Dec-19
29	NBP Income Opportunity Fund	400,000	26-Dec-19
30	NBP Riba Free Savings Fund	500,000	26-Dec-19
31	Pak Arab Refinery Ltd Supervisory Staff Gratuity Fund	14,000	26-Dec-19
32	Pak Kuwait Investment Co. (Pvt.) Ltd.	1,500,000	26-Dec-19

S. No	Pre-IPO Investors	Amount (PKR '000)	Agreement Date
33	Pak Oman Investment Company Limited	500,000	27-Dec-19
34	Pakistan Mobile Communications Limited- Provident Fund	50,000	26-Dec-19
35	Pakistan Telecommunication Employees Trust	150,000	26-Dec-19
36	Pak-Qatar Family Takaful Ltd	700,000	17-Dec-19
37	Service Provident Fund Trust	50,000	30-Dec-19
38	Service Provident Fund Trust	8,000	26-Dec-19
39	Sindh General Provident Investment Fund	1,875,000	31-Dec-19
40	Telenor Pakistan (Pvt) Limited Employees Gratuity Fund	21,000	26-Dec-19
41	Telenor Pakistan (Pvt) Limited Employees Provident Fund	7,000	26-Dec-19
42	Telenor Pakistan (Pvt) Limited Employees Provident Fund	5,000	26-Dec-19
43	THAL Ltd Employees Provident Fund	8,000	26-Dec-19
44	THAL Ltd Employees Retirement Benefit Fund	1,000	26-Dec-19
45	The Bank of Khyber	500,000	26-Dec-19
46	The Crescent Textile Mills Employees Provident Fund Trust	4,000	26-Dec-19
Total		**23,708,000**	

12.2 OTHER MATERIAL DOCUMENTS

S. No	Description	Date
1	Investment Agency Agreement	17-Dec-19
2	Asset Purchase Agreement	17-Dec-19
3	Agreement to enter into Musharakah	17-Dec-19
4	Payment Agreement	17-Dec-19
5	Service Agency Agreement	17-Dec-19
6	Declaration of Trust	17-Dec-19
7	Collection Agreement	17-Dec-19
8	Purchase Undertaking	17-Dec-19
9	Sale Undertaking	17-Dec-19
10	Shariah Board Fatwa	06-Dec-19
11	Letter of Hypothecation of Hypothecated Properties	26-Dec-19
12	Letter of Hypothecation of Hypothecated Collections, Accounts and Deposits	26-Dec-19
13	Letter of Lien and Set Off on Hypothecated Accounts and Deposits	26-Dec-19
14	Letter of Lien and Set Off on Payment Account(s)	26-Dec-19
15	First Amendment to the Declaration of Trust	17-Apr-20
16	First Amendment Agreement to the Collection Agreement	17-Apr-20
17	First Amendment Agreement to the Payment Agreement	17-Apr-20
18	First Supplemental to the Letter of Lien and Set Off (Sukuk Payment Account)	17-Apr-20

12.3 INSPECTION OF DOCUMENTS AND AGREEMENTS

All the Balance Sheets and Profit & Loss Accounts, Copies of the Memorandum and the Articles of Association, the Auditor's Certificates, Trust Deeds, the Letter of Hypothecation, the Credit Rating Report by VIS Credit Rating Agency, Clearance letter from PSX and the approval letters from Securities & Exchange Commission of Pakistan, and the copies of agreements referred to in this Prospectus may be inspected during usual business hours on any working day at the registered office of the Company from the date of publication of this Prospectus until the closing of the Subscription Period.

12.4 MEMORANDUM OF ASSOCIATION

The Memorandum of Association, inter alia, contains the objects for which the Company was incorporated and the business which the Company is authorized to undertake. A copy of the Memorandum of Association is annexed to this Prospectus and with every issue of the Prospectus except the one that is released in newspapers as advertisement.

12.5 FINANCIAL YEAR OF THE COMPANY

The financial year of the Company commences on July 1st and ends on June 30th.

PART XIII

13 APPLICATION AND ALLOTMENT INSTRUCTION

13.1.1 ELIGIBLE INVESTORS INCLUDE:

1. Pakistani citizens resident in or outside Pakistan or Persons holding two nationalities including Pakistani nationality;
2. Foreign nationals whether living in or outside Pakistan;
3. Companies, bodies corporate or other legal entities incorporated or established in or outside Pakistan (to the extent permitted by their constitutive documents and existing regulations, as the case may be);
4. Mutual Funds, Provident/pension/gratuity funds/trusts, (subject to the terms of the Trust Deed and existing regulations); and
5. Branches in Pakistan of companies and bodies corporate incorporated outside Pakistan

13.1.2 COPIES OF PROSPECTUS

Copies of the Prospectus and Application Forms can be obtained from the Trading Rights Entitlement Certificate (TREC) holders of Pakistan Stock Exchange Limited, the Bankers to the Issue and their branches, the Consultant to the Issue and the registered office of the Company. The Prospectus and the Application Forms can also be downloaded from the website: http://www.ke.com.pk/, www.arifhabibltd.com & https://eipo.cdcaccess.com.pk/public/index.xhtml

The Applicants are required to complete the relevant sections of the application to get the Sukuk in scrip-less form. In accordance with provisions of the Central Depositories Act, 1997 and the CDCPL Regulations, credit of such Sukuk is allowed ONLY in the applicant's own CDC Account OR in CDC's IPO Facilitation Account. (IPO Facilitation Account is an Investor Account opened by CDC under its Regulations for the purpose of crediting and holding of Securities on behalf of individual Pakistani investors who have subscribed to such Securities offered by an Issuer/Offeror).

13.1.3 NAME(S) AND ADDRESS(ES) MUST BE WRITTEN IN FULL BLOCK LETTERS, IN ENGLISH, AND SHOULD NOT BE ABBREVIATED.

13.1.4 ALL APPLICATIONS MUST BEAR THE NAME AND SIGNATURE CORRESPONDING WITH THAT RECORDED WITH THE APPLICANT'S BANKER. IN CASE OF DIFFERENCE OF SIGNATURE WITH THE BANK AND COMPUTERIZED NATIONAL IDENTITY CARD (CNIC) OR NATIONAL IDENTITY CARD FOR OVERSEAS PAKISTANIS (NICOP) OR PASSPORT BOTH THE SIGNATURES SHOULD BE AFFIXED ON THE APPLICATION FORM.

13.1.5 APPLICATIONS MADE BY INDIVIDUAL INVESTORS

1. In case of individual investors, a photocopy of the CNIC (in case of resident Pakistanis)/NICOP or Passport (in case of non-resident Pakistanis) as the case may be, should be enclosed and the number of CNIC/NICOP/Passport should be written against the name of the applicant.

2. Original CNIC/NICOP/Passport, along with a photocopy, must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the Banker to the Issue) at the time of presenting an application. The photocopy will, after verification, be retained by the branch along with the application

13.1.6 APPLICATIONS MADE BY INSTITUTIONAL INVESTORS

1. Applications made by companies, corporate bodies, mutual funds, provident/pension/gratuity funds/trusts and other legal entities must be accompanied by a photocopy of their memorandum and articles of association or equivalent instrument/document. Where applications are made by virtue of power of attorney, the same should also be submitted along with the application.
2. Photocopies of the documents mentioned in paragraph 13.1.6(1) above must be produced for verification to the Banker to the Issue and the applicant's banker (if different from the banker to the issue) at the time of presenting the application. The copies, will after verification, be retained by the bank branch along with the application.

13.1.7 ADDITIONAL INSTRUCTIONS FOR INVESTORS

1. Only one application will be accepted against each account, however, in case of joint accounts, one application may be submitted in the name of each joint account holder.
2. Joint application in name of more than two persons will not be accepted. In case of joint application each applicant must sign the application form and submit copies of their CNICs/NICOP/Passports. The securities will be credited to the CDS account mentioned on the face of the form OR in CDC's IPO Facilitation Account and where any amount is refundable, in whole or in part, the same will be refunded by cheque or other means by post, or through the bank where the application was submitted, to the person named first on the application form, without interest, profit, or return. Please note that application will be considered as a single application for the purpose of allotment of securities.
3. Subscription money must be paid by cheque drawn on applicants own bank account or pay order/bank draft payable to one of the Bankers to the Issue in favor of "**KE Sukuk Subscription Account**" and crossed "**A/C PAYEE ONLY**".
4. For the application made through pay order/bank draft, it would be permissible for a Banker to the Issue to deduct the bank charges while making refund of subscription money to unsuccessful applicants through pay order / bank draft individually for each application.
5. The applicant should have at least one bank account with any of the commercial banks. The applicants not having a bank account at all (non-account holders) are not allowed to submit application for subscription of securities.
6. Applications are not to be made by minors and/or persons of unsound mind.
7. Applicants should ensure that the bank branch, to which the application is submitted, completes the relevant portion of the application form

8. Applicants should retain the bottom portion of their application forms as provisional acknowledgement of submission of their applications. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of securities for which the application has been made.
9. Making of any false statements in the application or willfully embodying incorrect information therein shall make the application fictitious and the applicant or the bank shall be liable for legal action.
10. Banker to the issue are prohibited to recover any charges from the subscribers for collecting subscription applications. Hence, the applicants are advised not to pay any extra charges to the Bankers to the Issue.
11. It would be permissible for a Banker to the Issue to refund subscription money to unsuccessful applicants having an account in its bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should, therefore, not fail to give their bank account numbers.
12. Submission of false and fictitious applications is prohibited and such Application Money may be forfeited under section 87(8) of Securities Act, 2015
13. عوام الناس کو مطلع کیا جاتا ہے کہ سیکیورٹیز ایکٹ 2015 کی شق نمبر (7)87 کے تحت جھوٹی یا جعلی درخواستیں دینا قانوناً جرم ہے۔ خلاف ورزی کرنے والوں کی رقم۔ جو کہ درخواست کے ساتھ جمع کرائی جاتی ہے۔ سیکیورٹیز ایکٹ 2015 کی شق نمبر (8)87 کے تحت ضبط کی جا سکتی ہے۔

13.1.8 INSTRUCTIONS FOR FOREIGN/NON-RESIDENT INVESTORS

1. Companies are permitted under paragraph 6 (with specific reference to sub para (B) (I)) of Chapter 20 of the State Bank of Pakistan's ("SBP") Foreign Exchange Manual (the "Manual") to issue Sukuks on repatriation basis to non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual, i.e. (I) A Pakistan national resident outside Pakistan, (II) A person who holds dual nationality including Pakistan nationality, whether living in or outside Pakistan, (III) A foreign national, whether living in or outside Pakistan and (IV) A firm (including a partnership) or trust or mutual fund registered and functioning outside Pakistan, excluding entities owned or controlled by a foreign government, provided the issue price, is paid in foreign exchange through normal banking channel by remittance from abroad or out of foreign currency account maintained by the subscriber/purchaser in Pakistan.
2. Non-residents who wish to subscribe Sukuks out of the general public portion may contact any of the bankers to the issue (retail portion) for taking instructions regarding payment of subscription money against Sukuks offered to general public/retail investors. List of bankers to the issue for retail portion is available on page 1, summary of the Issue, para 11.3 and para 13.1.10 of this Prospectus.
3. The Sukuks issued to non-resident investors shall be intimated by the Company to the designated Authorized Dealer, along with the documents prescribed in the Manual within 30 days of issue.
4. Non-residents who are covered under paragraph 6 (A) of Chapter 20 of the Manual do not require SBP's approval to invest in the Sukuks being issued in terms of this Prospectus. Furthermore, under paragraph 7 (vii) of Chapter 20 of the Manual the Authorized Dealer shall allow repatriation of profit,

net of applicable taxes and proceeds on sale of listed Sukuks (i.e. divestment proceeds) not exceeding the market value less brokerage/commission on provision of prescribed documents.

5. Payments made by non-residents shall be supported by proof of receipt of foreign currency through normal banking channels. Such proof shall be submitted along with the Application by the non-residents
6. In case of foreign investors who are not individuals, applications must be accompanied with a letter on applicant's letterhead stating the legal status of the applicant, place of incorporation and operations and line of business. A copy of Memorandum of Association or equivalent document should also be enclosed, if available. Where applications are made by virtue of Power of Attorney, the same must be lodged with the applications. Copies of these documents can be attested by the Bank Manager in the country of applicant's residence.

13.1.9 MINIMUM SUBSCRIPTION AMOUNT AND BASIS OF ALLOTMENT

The basis and conditions of transfer of Sukuk to the General Public shall be as follows:

1. The minimum amount of application for subscription of Sukuks is Rs 5,000/- Application for Sukuks below the total value of Rs. 5,000/- shall not be entertained.
2. Application for Sukuks must be made for Rs. 5,000/- Sukuk or in multiple thereof only. Applications, which are neither for Rs. 5,000/- Sukuk nor for multiple thereof, shall be rejected.
3. Allotment/Transfer of Sukuks to successful applicants shall be made in accordance with the allotment criteria/ instructions disclosed in the Prospectus.
4. The allotment of Sukuks shall be subject to scrutiny of applications in accordance with the criteria disclosed in the Prospectus and/or the instructions by the Securities & Exchange Commission of Pakistan.
5. Applications, which do not meet the above requirements, or applications which are incomplete will be rejected. The applicants are, therefore, required to fill in all data fields in the Application Form.
6. The Company will credit the respective CDS accounts of the successful applicants.

13.1.10 LIST OF BANKERS TO THE ISSUE

Code	Name of Bank
01	Askari Bank Limited
02	Bank AL Habib Limited
03	Bank Alfalah Limited*
04	Bank Islami Pakistan Limited
05	Dubai Islamic Bank Pakistan Limited
06	Faysal Bank Limited
07	Habib Bank Limited*
08	Habib Metropolitan Bank Limited
09	MCB Bank Limited

10	MCB Islamic Bank
11	Meezan Bank Limited
12	Soneri Bank Limited
13	United Bank Limited*

*These Banks are providing their own e-IPO facilities. Account holders of these Banks may apply for subscription of Sukuk electronically.

13.1.11 CODE OF OCCUPATION OF INVESTORS/APPLICANTS

Code	Occupation
01	Business
02	Business Executive
03	Service
04	Housewife
05	Household
06	Professional
07	Student
08	Agriculturist
09	Industrialist
10	Other

13.1.12 NATIONALITY CODE

Code	Name of Country
001	U.S.A.
002	U.K.
003	U.A.E.
004	K.S.A.
005	Oman
006	Bangladesh
007	China
008	Bahrain
009	Other

13.2 OPENING AND CLOSING OF THE SUBSCRIPTION LIST

TBD

13.3 E-IPO SYSTEM

E-IPO is submission of application for subscription of securities electronically through internet, Automated Teller Machines (ATM) and mobile phones. In order to facilitate the public during IPOs, SECP has introduced the concept of E-IPO. The following two systems are available for E-IPOs:

I. Centralized e-IPO Systems

The Central Depository Company of Pakistan Limited (CDC) has developed a Centralized e-IPO System (CES) through which applications for subscription of securities offered to the general public can be made electronically. CES has been made available in this IPO and can be accessed through the web link (www.cdceipo.com). Payment of subscription money can be made through 1LINK's member banks available for CES, list of which is available on above website.

For making application though CES, investors must be registered with CES. Registration with CES is free of cost and a self-registration process by filling the CES registration form, which is available 24/7 all around the year. Investors who have valid Computerized National Identity Card (CNIC), bank account with any of the commercial bank, email address, mobile phone number and CDS Account (Investor Account or sub Account) OR CDC's IPO Facilitation Account may registered themselves with CES.

Investors who do not have CDS account may visit www.cdcpakistan.com for information and details.

For further guidance and queries regarding CES and opening of CDS account, investors may contact CDC at phone Number: 0800 – 23275 (CDCPL) and e-mail: info@cdcpak.com.

II. e-IPO Facilities by Bankers to the Issue

Habib Bank Limited (HBL), United Bank Limited (UBL) and Bank Alfalah (BAFL) are providing e-IPO facilities to their respective accountholders.

HBL account holders can use HBL Net Banking to submit their application via link https://www.hblibank.com.pk/Login,

UBL account holders can use UBL Net Banking to submit their application via link http://www.ubldirect.com/corporate/ebank, and

BAFL account holders can use BAFL Net Banking to submit their application via link: https://netbanking.bankalfalah.com

13.4 BENEFITS OF E-IPO

e-IPO has the following benefits:

1. It enables the investors to make application for subscription of Sukuk through the internet without going to the bank and waiting in long queues.
2. It is efficient and simultaneously facilitative for both the Issuer and the investors.
3. It is available for use 24 hours during the subscription period.
4. If you are registered with CES or account holder of a bank providing e-IPO facility, you may get SMS for new IPOs.
5. By applying through CES you can also track your application status.

13.5 REFUND OF MONEY TO UNSUCESSFUL APPLICANTS

KE Limited shall take a decision within ten (10) days of the closure of subscription list as to which applications have been accepted or are successful and refund the money in cases of unaccepted or unsuccessful applications within ten (10) days of the date of such decision as required under regulation 5B 4.16 read with regulation 5B 4.17 of the PSX Rule Book.

As per sub-section (2) of Section 68 of the Companies Act, 2017, if a refund is not made within the time specified therein, the Directors of the Company shall be jointly and severally liable to repay the money with surcharge at the rate of 2.00%, for every month or part thereof from the expiration of the 15th day and, in addition, shall be liable to a penalty of level 3 on the standard scale.

The surcharge mechanism has been mentioned here in order to ensure regulatory compliance. However, from the Shariah perspective, since this surcharge is a form of interest, the applicants are advised to dispose any such received amount as charity.

13.6 ISSUE AND CREDIT OF SUKUK CERTIFICATES

KE shall credit Sukuk to the successful allottees within twenty one (21) days of closure of public subscription in compliance with the requirements of PSX. Sukuk will be issued only in the Book-Entry Form through credit in their CDS Accounts. The applicants, therefore, must provide their CDS Account Number (Investor Account Number or Sub-Account Number) in the Sukuk Subscription Form.

The Sukuk issued shall be subject to the terms & conditions for the issuance of the Sukuk specified in the Trust Deed dated December 17th, 2019.

If the Company defaults on complying with the requirements of the Listing Regulations, it will pay to PSX a penalty of PKR 5,000/- per day during which the default continues. PSX may also notify the fact of such default and the name of the Company by notice and also by publication, in the Daily Quotations.

The surcharge mechanism has been mentioned here in order to ensure regulatory compliance. However, from the Shariah perspective, since this surcharge is a form of interest, PSX is advised to dispose any such received amount as charity.

PART XIV

14 SIGNATORIES TO THE PROSPECTUS

S. No	Name of Directors	Designation	Signature
1	Mr. Riyadh S.A.A Edrees	Chairman	-Sd-
2	Syed Moonis Abdullah Alvi	Chief Executive Officer	-Sd-
3	Mr. Khalid Rafi	Independent Director	-Sd-
4	Mr. Adeeb Ahmad	Non-Executive Director	-Sd-
5	Chaudhary Khaqan Saadullah Khan	Non-Executive Director	-Sd-
6	Dr. Ahmed Mujtaba Memon	Non-Executive Director	-Sd-
7	Mr. Jamil Akbar	Non-Executive Director	-Sd-
8	Mr. Mubasher H. Sheikh	Non-Executive Director	-Sd-
9	Mr. Muhammad Abid Lakhani	Non-Executive Director	-Sd-
10	Mr. Ruhail Muhammad	Non-Executive Director	-Sd-
11	Mr. Shan A. Ashary	Non-Executive Director	-Sd-
12	Syed Asad Ali Shah Jilani	Non-Executive Director	-Sd-
13	Mr. Waseem Mukhtar	Non-Executive Director	-Sd-

Witness 1:

-sd-

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Name:
Designation:
CNIC:

Date:

Witness 2:

-sd-

____
Name:
Designation:
CNIC:

PART XV

15 MEMORANDUM OF ASSOCIATION